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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XII, No. 2 October 4, 1987

INDUSTRIAL PRODUCTION FIGURES

Product	Production for Jan-Aug 1987	Jan-Aug 1987 as a % of Jan-Aug 1986
Electricity (bil. Kw. hrs.)	1086	104
Petroleum [incl. gas condensate] (million tons)	415	102
Natural Gas (billion m^3)	475	106
Coal (million tons)	507	101
Steel (million tons)	108	100.4
Fertilizer (million tons)	24.1	105
Metal-cutting tools (billion rubles)	1.9	97
Robots (1000 units)	9.7	94
Computer technology (billion rubles)	17.9	106
Tractors (million hp.)	34.2	94
Paper (million tons)	4.1	99.5
Cement (million tons)	91.3	102
Meat (million tons)	7.1	106
Watches (million units)	46.2	99.6
Radios (million units)	5.4	90
Television sets (million units)	5.8	92
Automobiles (1000 units)	883	100.4

LIVESTOCK HERDS

(million head)

Herd	Jan-Aug 1986	Jan-Aug 1987	% Change
Cattle	97.9	97.	-1.
Cows	29.2	28.9	-1.
Hogs	63.1	60.6	-4.
Sheep & Goats	132.3	131.7	-0.5
Chickens	794.7	807.7	+1.6

INDUSTRIAL PRODUCTION FOR THE FIRST EIGHT MONTHS OF 1987

Gorbachev's problems with the economy continue. Even though the statistical authorities report that industrial production rose 3.6% in August, many individual industries reported a much lower rate of growth and as before, a surprisingly large number reported an actual drop in production. The drop in production is due, as before, to the impact of the quality inspectors sent out to 1500 of the largest factories. In other words, in any production involving value-added or fabrication, the quality controls have had a signficant impact. As a consequence, the vast majority of industries where fabrication is a consideration report that their production for the first eight months of 1987 is below that of the first eight months of 1986. For example, generator production is down 9%, tractor production is down 6%, radio production is down 10%, and television production is down 8%. Those are selected examples; the list of others suffering the same fate is quite extensive.

At the same time, Gorbachev is also having some difficulty with the standard, basic industries. For example, oil production, while it did not drop as it did in July, was basically constant. Natural gas production was up only 4%, although for the year it had been up 6%. Similarly, coal production was constant for the month of August 1987, compared to August 1986, although for the year as a whole it had been increasing 1%.

There is some good news. Electricity production is up 5% for the month of August, whereas it had been up only 4% for the whole eight month period. Similarly, steel production is up 5% for the month of August, compared to basically a flat rate of growth for the whole eight months.

There is no doubt, however, that there is a significant impact on the Soviet economy of the quality inspection procedure.

PROBLEMS IN AGRICULTURE

There have been differing reports about the fate of the harvest this past year. The U.S. Department of Agriculture raised its estimate of the harvest size, indicating it will be somewhere over 200 million tons. At the same time, Abel Aganbegian reportedly gave an interview to a West German paper in which he indicated this would be a record harvest.

However, there are some very significant signs of difficulty in agriculture. One of the most surprising signs is that as reported in last month's newsletter, the size of the livestock herd seems to be falling. This may indicate a shortage of feed. Moreover, there is no indication that the situation is improving. The cattle and cow herd is down 1%. The drop in the hog herd has increased, as compared to last month. Last month it was down 3%; now it is down 4%. The only promising sign is that the number of chickens has increased by 1.6%.

Even more surprising is the fact that apparently the Soviets are experiencing a shortage of fruit and vegetables in their major cities, particularly Leningrad and Moscow. It is unclear whether this is due to a cutback in imports or domestic production, or a combination of the two.

Reflective of the problem is the fact that in the Moscow region, as of August 24th, the number of potatoes delivered to the official state stores was only 70% of what it had been a year earlier. For the city of Moscow as a whole, only 84% of the number of potatoes were available. In Leningrad, the situation was considerably worse. There, only 47% of the potatoes sold in 1986 had been delivered for the same period in 1987. While the drop is not as severe, there were similar problems with almost all other types of vegetables. When it comes to fruit, the drop, in some cases, was even worse. Some fruit and berry supplies were only 55% of what they had been the year earlier.

Similar problems were reported in outlying republics as well. Apparently there are also shortages of tea and coffee in Moscow.

These shortages clearly must be having an important impact on the popular mood and are reinforced by comments which have been heard by many visitors returning from the Soviet Union who report that there is considerable grumbling about the availability of supplies of fruit and vegetables.

FIRST CORPORATE SPONSOR SEMINAR FOR 1987

The annual Journalist Orientation conference sponsored jointly by the Russian Research Center and the Nieman Foundation of Harvard University took place Monday, September 28, 1987, at the Harvard Faculty Club. Attended by journalists representing over 48 different newspapers and broadcasting networks from around the world, the conference served as an intensive one-day introduction to the Soviet Union's social, political, and economic structure and policies.

The morning panel focused on political developments in both Soviet domestic and foreign policy. Mark Beissinger, a John M. Olin Faculty Fellow at the Russian Research Center discussed Gorbachev's relative power position and his tenure in office, given internal opposition and popular expectations. Joseph Nye, Director of Harvard's Center for Science and International Affairs, examined the current arms control proposals and likely developments in the area within the next year. Mark Kramer, a Kukin Fellow at the Center for International Affairs, discussed the specifics of US and Soviet military policy and the impact of the current discussions on long-term balance of power. Adam B. Ulam, Director of the Russian Research Center, discussed expectations for the future and the historical significance of events over the last two years.

The afternoon panel examined the social and economic reforms inacted by Gorbachev since his appointment as General Secretary in March 1985. Marshall I. Goldman, Associate Director of Harvard's Russian Research Center examined the economic reforms adopted by the Soviet Union and the short- and long-term achievements and failures of perestroika. Walter D. Connor, a professor of political science and sociology at Boston University, discussed the impact of glasnost' on Soviet society. David E. Powell, a fellow of the Russian Research Center, highlighted the social pressures with which Gorbachev must come to terms if he is to succeed in his reform efforts. Loren Graham, a Professor of History of Science at Harvard and MIT, spoke about the impact of reforms on the computer industry of the Soviet Union and the strengths and weaknesses of the U.S.S.R. in the field of computer technology. Jerry Hough, Director of the Center on East-West Trade, Investment and Communication at Duke University discussed Gorbachev's position in the Soviet power structure and his chances for success.

At 5:00 p.m. the conference adjourned for cocktails and a demonstration of live Soviet television. After dinner, the final panel of the conference discussed life as a journalist in the Soviet Union and Eastern Europe. Linda Feldmann, an assistant international editor with the Christian Science Monitor, discussed her recent three month experience as a exchange journalist on the staff of Moscow News. Michael Kaufman, the former Warsaw bureau chief of The New York Times discussed covering events in Warsaw during the rise of Solidarity and how Gorbachev's reforms can effect journalism in the U.S.S.R. Nicholas Turner, the first foreign network cameraman (CBS) to reside in the Soviet Union and a contributing journalist to the recent CBS special "Seven days in May" showed clips of his work and discussed working as a cameraman in the Soviet Union. Serge Schmemann, former Moscow bureau chief for The New York Times, discussed his seven years in residence and how Gorbachev's reforms are changing not only Soviet society, but how people in the West view Soviet society. To top off an exceptional panel, Mr. Gennady Gerasimov, former editor of Moscow News and currently the official Press Spokesman of the U.S.S.R. Ministry of Foreign Affairs, spoke on the topic of glasnost' and the reform movement in the U.S.S.R.

FOREIGN EXCHANGE RATES

Currency (100)	Purchase in rubles as of Sept. 23rd
Austrian shilling	4.95
English pound	104.23
German mark (FRG)	34.88
Italian lire	.0483
USA dollar	63.06
French franc	10.46
Swiss franc	42.08
Japanese yen	.441

ANNOUNCEMENTS

Corporate Sponsor Seminar Series

In light of the interest shown in joint venture opportunities with the Soviet Union, we have scheduled a Corporate Sponsor Seminar for Monday, October 26th. We intend to examine the topic of joint ventures, focusing primary attention on opportunities and experiences in China, Hungary and the Soviet Union. Our goal is to discuss the joint venture climate in the USSR, the experiences of Western firms currently operating in Eastern Europe and the People's Republic of China, and why the Chinese, while not entirely successful in their efforts, have more actively pursued the option of joint venture contracts than the Soviet Union. Finally, to what degree can Western experiences in Chinese and Hungarian joint ventures inform us about what to expect in Soviet joint venture projects. The president of a Finnish firm currently involved in a 49-51 joint venture with the Soviet Union will be joining us from Helsinki to discuss his company's experiences. A program and application form are enclosed. For further information, contact Catherine Reed or Marshall I. Goldman.

ERRATA

A typographical error in the September issue of the RRC Newsletter may have caused confusion for some of our readers. In the letter discussing Soviet petroleum from James W. Clarke, the "reserves-to-production ratio" should have read "20:1" instead of "2:1." We apologize for any confusion or panic caused by our error.

Arden House Conference

It is not too early to mark your calendar for the 12th annual Arden House Conference on American-Soviet Relations. Scheduled for March 25 - 27, 1988, the conference will take place at Arden House in Harriman, New York. This year's topic is "Detente Revisited" and is shaping up as one of our most promising conferences to date. The program is now in the final stages of preparation and will be included in the December issue of the RRC Newsletter. Designed to bring together businessmen, academics and professionals working in the field of Soviet and East European affairs, the conference provides a rare environment conducive to intellectual debate and exchange. If you know of someone who might benefit from attendance and is not currently receiving our newsletter, please contact Catherine Reed or Marshall Goldman to have them included on the invitation list.

ATTENTION ALUMNI OF THE SOVIET UNION PROGRAM AND RUSSIAN RESEARCH CENTER

The Russian Research Center is about to celebrate its fortieth anniversary. While the actual birthday is in February, we are taking advantage of the meeting of the American Association for the Advancement of Slavic Studies which will be held in Boston during the first week of November. Since many of our alumni will be coming to Boston for the AAASS conference, it makes sense to hold our anniversary celebration on November 6, Friday night, which is a free night on the AAASS schedule.

We will gather together at the new Marriott hotel in Kendall Square, near MIT. Our festivities will include a banquet and an address by former Ambassador Arthur A. Hartman. Some alumni are also threatening to produce some skits reflecting the forty years of the Center and the seventy years since the Bolshevik revolution, which will be celebrated the next day.

We welcome anyone who regards themselves as an alumnus of the Center. This is loosely defined to mean anyone who has been in residence at the Center or enrolled as a student in the Soviet Union Program. Tickets for the dinner are $40 and anyone interested in attending should complete the attached form and return it with a check for $40 by October 20th.

We look forward to seeing you in November.

LETTER TO THE EDITOR

I was much amused, having just returned from 2 weeks in Moscow and Leningrad, to read your speculation in the RRC Newsletter of August 1987 on why sugar production went up 14% in the first half. I have confirming evidence.

Having brought kvas concentrate, I intended to brew some in my hotel room at the National. Yeast is needed to start the fermentation. I speak Russian, and therefore went to at least 7 stores, including GUM, which has a large foodstuffs section, and none had any yeast. I asked the clerks how this was possible, "didn't the Soviet women bake?" They shrugged their shoulders and said, "No" or "Shortage." Then I spoke to a man, who laughed, and said "Don't you know, it's all being used to make home brewed vodka." Having noticed the long lines that form (men only) at the liquor counter at the new opening hour in the late afternoon, I think the explanation fits...

Norman L. Stone
Setauket, NY

NEW BOOK

Jack Baranson, a frequent participant at RRC conferences and a research professor at the Illinois Institute of Technology, has just authored a book on industrial technology in the economic development of the Soviet Union. Soviet Automation: Perspectives and Prospects is available from Lomond Publications Inc. of Mt. Airy, Maryland.

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The Russian Research Center takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed. RRC @1987

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RUSSIAN RESEARCH CENTER and
THE WILLIAM AND MARY GREVE FOUNDATION

JOINT VENTURES IN THE COMMUNIST WORLD

October 26, 1987

Harvard Faculty Club
20 Quincy Street
Cambridge, MA 02138

(617) 495-4038 Russian Research Center
(617) 495-5758 Harvard Faculty Club

9:30 a.m. **THE JOINT VENTURE EXPERIENCE: More than you might expect.**

Prospects for the Future

China:

Jerome A. Cohen
Paul, Weiss, Rifkind, Wharton & Garrison

Soviet Union:

James Giffen
President, Mercator Corporation and President, US-USSR Trade and Economic Council

Marshall I. Goldman
Professor of Economics, Wellesley College and Associate Director, Russian Research Center, Harvard University

10:30 a.m. **THE SOVIET EXPERIENCE**

The Process of Negotiation

Michael Petrilli
Manager of International Development, Monsanto

John L. Becker
Director of Affiliate Development, Cummins Engines

Joe Condon
Vice President, International, Combustion Engineering

Sarah Carey
Partner, Heron, Burchette, Ruckert and Rothwell

12:00 Sherry
12:15 p.m. Lunch

1:15 p.m. Up and Operating: Experiences to date.

Ulf Ronnholm
President, Oy Sadolin AB (Finland). Oy Sadolin AB is the first company in the world to have formally agreed to a 49-51 joint venture (a varnish factory in Estonia) with the Soviet Union.

James Talbot
President, Marine Resources. Marine Resources has an already existing American-Soviet 50-50 joint venture operating in Nakhodka and Seatle.

2:15 p.m. **DOING BUSINESS IN CHINA**

Joint Ventures

Mark C. Israelson
Managing Director, Electronic Data Systems Corporation, Asia and Pacific Division, Singapore

Wholly Owned Subsidiaries

John Marshall
Director, Business Development International, 3M Corporation, St. Paul, Minnesota

3:45 p.m. **HUNGARY AND WESTERN BUSINESS**

Llewelyn Werner
Former Chairman of the Board, Crown Coach, Pico, California

John Kiser
President, Kiser Research, Inc., Washington, DC

4:45 p.m. Adjourn

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RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XII, No. 3 November 13, 1987

INDUSTRIAL PRODUCTION FIGURES

Product	Prod. in 1st 9 months of 1987	1st 9 months of 1987 as % of same of 1986
Electricty (billion kw)	1,213	104%
Petroleum (incl. gas cond; mil. tons)	467	102
Natural Gas (billion meters[3])	534	106
Coal (million tons)	568	101
Steel (million tons)	121	100.6
Fertilizer (million tons)	27.1	105
Metal-cutting Tools (bil. rubles)	2.1	97
Robots (thousand units)	10.9	93
Computer Tech. (billion rubles)	3.9	110
Tractors (million h.p.)	38.5	94
Paper (million tons)	4.6	99.7
Cement (million tons)	103	102
Meat (million tons)	8.9	105
Margarine (million tons)	1.1	107
Watches (million units)	52.2	99.9
Radios (million units)	6.0	90
TV sets (million units)	6.6	93
Automobiles (thousand units)	995	100.4

INDUSTRIAL RESULTS FOR THE FIRST NINE MONTHS OF 1987

The results for 1987 continue to reflect the impasse of the quality control inspections or gospriemka. Production seems to have increased a little, but the production of goods is down where fabrication and quality make a difference.

As for the production of basic industrial goods, there is some good news to report. Oil production, which had actually dropped earlier in the year or been stagnant, rose 6% in the month of September. The overall growth for the full nine-month period is 2%, but the results in September must have been gratifying. There is equally good news in natural gas. For the month of September, natural gas production rose 11%, whereas the rate of growth had been slower earlier in the year. This means that for the whole nine-month period, output is up just 6%, compared to the 7% for the whole 9-month period of 1986 as a percentage of 1985. But certainly General Secretary Gorbachev should be happy about this.

Similarly, the production of electricity is up 4% for the month of September, as well as for the period under consideration. Not quite as impressive is the increase in steel production. It rose only 2% in the month of September, but that is still higher than the rate for the whole nine-month period. In contrast, coal production for the month of September was stagnant.

The Soviets did not apparently publish the size of their agricultural herd as of September 30th. That may mean that the drop in the size of the herds has been continuing.

BALANCE OF TRADE FIGURES FOR THE FIRST HALF OF 1987

The Soviets have drastically readjusted their trade figures. The most dramatic sign is the significant drop in imports by the Soviet Union. As the accompanying table indicates, imports from Western Europe and Japan fell by almost 700 million rubles. They dropped even more from the grain exporting countries. Exports also dropped, but by a very small margin. Given that oil exports rose during the first quarter of 1987 by approximately 43%, ruble export totals should be even larger, even though oil exports are for only one quarter and these overall export figures are for two quarters. This may very well be explained by the fact that the price of petroleum continued to fall and this hurt Soviet totals.

In any case, the combined effect of the significant drop of almost 1.3 billion rubles in imports to the Soviet Union and the considerably smaller drop in exports has left the Soviet Union with a trade deficit of approximately 1 mil-

lion rubles. That is considerably less than the 2 billion they had for the first half of last year. Including the figures for Finland in the calculation does not change the results in any significant way.

The countries that have suffered most from the Soviet Union's cutback in imports are Japan and Austria, at least by ruble volume.

Corporate Sponsor Seminar Series Joint Ventures in the Communist World

October 26, 1987

As part of its Corporate Sponsor Seminar Series, the Russian Research Center organized a conference examining joint venture activity in China, Hungary and the USSR. The first panel of the conference, featuring Marshall Goldman of Wellesley College and Harvard's RRC, and Tim Gelatt of the law firm of Paul, Weiss, Rifkind, Wharton & Garrison, presented an overview of joint venture legislation and the economic and political climates which gave rise to consideration of economic intercourse with capitalist firms. Professor Goldman identified the major goals of joint ventures in the Soviet Union, both for the USSR itself and for the prospective Western partner. He also pointed out that as might be expected, the Soviet Union is interested primarily in projects which will introduce high technology into the USSR. Unfortunately, the most successful joint ventures in China, to some degree a good indicator of what will happen in the USSR, have tended to rely on imported components and sweat-shop labor.

Mr. Gelatt noted that the legal structure for joint ventures in China is now well developed. While this factor has to some degree diminished certain difficulties faced by Western businessmen first considering joing ventures with the Chinese, there are still major hurdles confronting businessmen in China. Of these, one of the most contentious is hard-currency repatriation. Many problems have been solved by countertrade or concessions on import substitution. Another concern is the ability to recruit specialized labor. Initially, the joint venture was expected to take over the work force of the Chinese partner. Provisions were subsequently made to allow the joint venture greater control over the workforce.

Crucial to the success of any joint venture is the conclusion of an explicit document which covers all possible contingencies and allows for dissolution of the business contract by either party. The second panel of the morning session addressed the topic of negotiating business contracts with the Soviet Union. Michael Petrilli, Manager of International Development at Monsanto, John L. Becker, Director of Affiliate Development for Cummins Engines, and John C. Ackermann, Vice President, International for Combustion Engineering, all discussed their recent experiences in negotiating with Soviet officials. Ms. Sarah Carey, a partner with the law firm of Heron, Burchette, Ruckert and Rothwell, and the legal representative of Combustion Engineering in its negotiations with the Soviet Union, discussed the legal concerns of Western businesses in their relations with Soviet partners and certain problems which still exist and must be dealt with in a final contract or letter of intent.

The first of the three afternoon panels focused on two firms which have successfully negotiated joint ventures with the Soviet Union and are in production today. Ulf Ronnholm is President of Oy Sadolin Ab, a Finnish firm whose jont venture will produce paints, sealants, wood-protecting products and the like in Estonia. Production started on September 1, 1987 and the joint venture is already making a profit. The agreement provides for the production and sales of semi-manufactured goods and raw materials related to the products. He stressed that it is important that contracts with suppliers are made before agreeing to the joint venture. By exporting raw materials relating to these end products, the Finnish firm will be able to obtain the necessary hard currency. Mr. Ronnholm noted his belief that in the future, more and more Finnish-Soviet trade will be channelled through joint ventures. James Talbot, President of US-USSR Marine Resources International discussed his firm's ten-year relationship with the Soviet fishing industry and how the business commitment has evolved over time and with increasing trust and mutual respect.

Is there anywhere Western businessmen can look to for guidance as to how joint ventures may evolve in the Soviet Union? One suggestion is to look at the experiences of joint ventures in other centrally planned economies. The second and third of the afternoon panels discussed Western efforts to establish joint ventures in the People's Republic of China and Hungary. Mark C. Israelsen, Managing Director of the Asia and Pacific Division of Electronic Data Systems Corporation, discussed his company's joint venture with China. John Marshall, Director of Business Development International for the 3M Corporation, discussed the option of wholly-owned subsidiaries and why 3M chose this strategy over a joint venture operation.

The final panel of the afternoon examined the experience of Western businessmen in Hungary. Llewellyn C. Werner, former President and Chief Executive Officer of Crown Coach International, discussed Crown Coach's efforts to produce buses in Hungary. John Kiser, President of Kiser Research Inc., discussed his company's efforts to identify technology in Eastern bloc countries and market it effectively to Western concerns.

The conference was adjourned at 4:45 p.m. While transcripts of the conference are not available, we do have cassette tapes of all panels for those who were unable to attend the conference. Contact Catherine Reed for information.

SOVIET AGRICULTURE UNDER MIKHAIL GORBACHEV

Our final Corporate Sponsor seminar of the 1987-88 year will take place on February 1, 1988 at the Harvard Faculty Club. The topic of discussion will be Soviet agriculture under Gorbachev. We are in the final organizational stages and will include a program and application in the next issue of the Economic Newsletter.

ARDEN HOUSE 1988

"DETENTE REVISITED?"

The 12th annual Arden House Conference on American-Soviet Relations is scheduled for March 25 through 27, 1988. For those of our readers who have not had the opportunity to attend Arden House, the conference is sponsored jointly by Harvard's Russian Research Center and the Harriman Institute of Columbia University. This year's program topic is "Detente Revisited?" and promises to yield an exciting and stimulating weekend of panels and discussions. We are pleased to announce that our keynote speaker will be Ambassador Jack Matlock and our congressional panel will include Senator Timothy Wirth and Congressman Steny Hoyer. Panel topics include "The Process of Democratization," "Ramifications of Glasnost," "After the Summit: What's Next in Arms Control," "Lessons from Toshiba," "The Soviet Union in the International Busines Community," and "The State of Economic Reform." Programs and application forms will be mailed out in December. For further information, contact Marshall Goldman or Catherine Reed at (617) 495-4038.

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RRC@1987

FOREIGN EXCHANGE INFORMATION

Rubles Purchased per 100	October 21 1987
Austrian shilling	05.00
UK pound	15.04
FRG mark	35.22
US dollar	62.34
French franc	10.51
Japanese yen	00.442
Italian lira	00.0487
Swiss franc	42.44

SOVIET BALANCE OF TRADE: 1st HALF OF 1980 through 1987

(Million Rubles)

	EXPORTS FROM THE USSR:								IMPORTS TO THE USSR:							
	1980	1981	1982	1983	1984	1985	1986	1987	1980	1981	1982	1983	1984	1985	1986	1987
Austria	280	392	346	271	381	370	286	169	160	258	251	380	481	403	437	312
Belgium	401	249	530	501	577	384	280	345	176	268	329	305	271	298	253	197
Great Britain	320	349	416	502	691	549	591	674	516	631	354	369	395	392	301	287
Greece	187	350	275	173	224	238	102	110	44	71	78	93	64	69	33	21
Denmark	122	74	199	157	153	132	69	47	39	151	42	42	51	51	100	46
Spain	104	156	77	148	163	299	37	187	67	323	101	148	152	102	107	89
Italy	893	1066	1362	1446	1503	1019	757	838	429	498	592	793	679	659	726	860
Netherlands	567	430	715	895	727	402	290	387	178	344	217	314	132	158	126	140
Norway	27	28	37	30	50	56	29	26	39	58	34	53	46	39	46	28
Germany	1067	1207	2059	1614	2314	1864	1588	1134	1603	1586	1525	1893	1726	1680	1547	1417
France	930	1082	1168	1140	1238	990	751	689	937	922	727	973	907	1006	685	649
Switzerland	173	90	181	257	187	182	161	164	205	291	224	211	196	283	270	303
Sweden	142	93	159	293	293	235	142	189	132	207	207	145	132	177	148	137
Japan	471	407	390	388	409	456	471	449	907	1168	1532	1237	1036	1245	1293	770
SUBTOTAL	5693	5973	7914	7815	8910	7176	5554	5408	5432	6733	6213	6956	6268	6562	5965	5286
Sub-Balance of Trade									-261	-760	+1701	+859	+2642	+614	-411	+122
U.S.A.	87	57	76	132	139	147	143	102	764	892	1672	878	1272	1764	845	411
Canada	15	28	14	19	9	8	6	8	321	489	554	651	388	408	266	275
Australia	3	8	6	3	6	11	5	5	441	381	411	278	312	402	410	217
New Zealand	1	2	3	1	3	2	2	2	115	96	166	108	31	51	63	50
Argentina	20	23	15	15	14	23	38	12	590	1060	840	798	727	769	126	225
Brazil	12	5	90	6	68	27	22	30	139	384	275	281	228	169	154	99
TOTAL	5831	6096	8118	7991	9149	7394	5770	5567	7802	10035	10131	9550	9226	10125	7829	6563
Balance of Trade									-1971	-3939	-2013	-1959	-77	-2731	-2059	-996
Finland							774	836							1082	1056
							6544	6403							8911	7619
															-2367	-1216

BOSTON GLOBE, 11/08/87, p.A27

THE SOVIET UNION

Confused, confusing signals emanating from Gorbachev

His problem-plagued economic reforms lead to some strange goings-on

By Marshall I. Goldman

Last week's celebration of the 70th anniversary of the Bolshevik Revolution in Moscow was marked by an uncharacteristic period of self-doubt and confusion. What is to be made of Mikhail Gorbachev's speech on Monday, in which he criticized Josef Stalin, but in a somewhat restrained manner? There had been indications that it was going to be a much more thoroughgoing attack. After all, Gorbachev himself had insisted that, if the Soviet Union is to move forward, there must be no unopened pages in Soviet history. But after his speech, many of the pages are still closed. Except for the fact that Gorbachev's speech was public while Nikita Khrushchev's denunciation of Stalin in 1956 was secret, Gorbachev has not really moved very far.

Then, what is to be made of Gorbachev's chaotic response to President Ronald Reagan's initiative that Gorbachev visit the United States for a summit meeting? First it's on, then it's off, then it's on. That sounds more like the vacillation of the Jimmy Carter administration than the usually smoothly-operating Soviet foreign-policy machine.

Internal squabbling

In the midst of all this comes the startling revelation of a major squabble at a surprise meeting of the Soviet Central Committee on Oct. 21. Frustrated at the pace of reform, Boris Yeltsin, the head of the Moscow Communist Party, unexpectedly lashed out at those he regarded as opponents of the reform. In particular, he singled out Yegor Ligachev, the second senior official in the Politburo and Secretariat after Gorbachev. There is reason to believe that he also criticized Viktor Chebrikov, the head of the KGB. In his anger, Yeltsin ended up with some indirect criticism of Gorbachev as well. As if that were not enough, Yeltsin, according to the reports, went on to accuse Gorbachev of succumbing to the cult of the personality.

There is reason to believe that all these events are tied together by a common link, and that is the resistance Gorbachev is meeting in his effort to reform the Soviet economic and political systems. Unless he can pacify his growing opposition by coming up with concrete results, he may find himself out of a job within five years. Indeed, many in the Soviet Union are beginning to wonder where the results are. For that matter, Gorbachev himself wants to know. In a speech he gave on Oct. 13 in Leningrad, a week before the Oct. 21 blowup in the Central Committee, Gorbachev said, "Two and a half years, I think, for a revolutionary process, when everything is moving rapidly and developing, is a long time."

Gorbachev is well aware of the fact that he has little to show. A few days earlier in Murmansk, he confessed that "It was distressing and hurtful to listen to the workers' rebukes of yesterday." In his frustration, he has begun to blame his underlings – some of whom he appointed himself. Clearly, he has been looking for ways to make his bureaucrats more responsive. But how far should he go? While visiting Leningrad, he mused, "I do not at all want it... to be understood as an appeal – as was once the case during the years of the Cultural Revolution in China – to open fire on the functionaries. No, no, comrades, it would be a mistake." That Gorbachev should acknowledge that he even contemplated such a traumatic event suggests how frustrated he must be. However, the fact that the Soviet general secretary had even hinted at such a prospect was evidently considered to be so inflammatory that when Soviet newspapers printed the text of Gorbachev's Leningrad speech, they omitted this particular paragraph.

The Yeltsin outburst

Not surprisingly, Gorbachev is not the only one to bemoan the resistance to the reform process. Boris Yeltsin is also very worried. As an outsider from Sverdlosk who was brought in to shake up the Moscow bureaucracy, he evidently has been shocked by the ineptness that he has found. In a widely reported speech in April 1986, Yeltsin took almost every department of the Moscow municipal government to task for failing to provide adequate services. Naming names, he pointed to 50 or so bureaucrats who had used their jobs to enrich themselves rather than the people they were supposedly serving.

But there has been little progress since then and, in a fit of obvious frustration, Yeltsin, in an August speech to the Moscow City Council, acknowledged that "Today there is evidently no need to report on achievements, especially and unfortunately since in terms of end results, not very much has been achieved." He went on to complain that: "Much has been said, but the results are insignificant. We can perceive the reemerging symptoms of a most dangerous illness, which has ruined numerous wonderful initiatives in the past – the lack of discipline among our party leaders when any decision could remain unfulfilled or be delayed, postponed or drowned in endless examination, coordination and clarifications."

Yet while Yeltsin has been upset about the lack of any meaningful reform, conservatives such as Ligachev and Chebrikov have been complaining bitterly that the reforms have already gone too far. Ligachev, for example, in a speech to educators last summer, indicated he was distressed by the fact that "people abroad, and even some people in our own country, tried to denigrate the entire path of the building of socialism in the USSR, to present it as an unbroken chain of errors."

It turns out that the "even some people in our own country" refers to General Secretary Gorbachev, who consistently speaks of the "precrisis" condition of the Soviet economy, most recently in his speech last Monday. Going even further, in a speech in Riga last February, Gorbachev explained why economic reform was so important. In that speech, he said that the economy "had gone downhill so that it stank – sorry, I am telling it like it is."

Ligachev has other criticisms of Gorbachev's policies. He is very much concerned with the move away from socialism. As Ligachev put it, "Among the class opponents are those who... entertain hopes that the Soviet Union will deviate from socialism in the direction of a market economy, ideological pluralism and Western democracy. Vain hopes. We will never leave the Leninist paths." But if Gorbachev's reforms are accepted, these are exactly the kinds of changes that will be made.

Ligachev's criticism about how far the reform process is expected to go, and to some extent has gone, is echoed by Chebrikov, the head of the KGB. In a hard-line speech this September commemorating the birthday of F. E. Dzerzhinsky, the first head of the KGB, Chebrikov attacked what he said is the effort by "imperialism's special services... to instill in Soviet people the bourgeois understanding of democracy... and install political and ideological pluralism." Again, this program Chebrikov attacks is as much Gorbachev's agenda as it is of "the special services."

There is reason to believe the report that Yeltsin also attacked Gorbachev, at least by implication. After all, the reforms have bogged down. Moreover, Gorbachev is beginning to take on some of the trappings of the cult of the personality. True, Gorbachev has discouraged pictures of himself, and

he is not quoted on every subject, but this is the age of television and his picture is all over Soviet television. Also, he has just published a book. Moreover, it seems he has begun to take his power for granted. During his visit to Murmansk in October, he ordered I. S. Belousev, the minister of shipbuilding, to "sit down" in a most humiliating way. This is just the way Khrushchev used to behave.

Walking a tightrope

The Oct. 21 Central Committee outburst explains much of what has followed since. When Secretary of State George Shultz appeared on Oct. 23 to meet with Gorbachev in Moscow for what the Soviets promised would be a meeting to set the date for a summit, Gorbachev was clearly distracted. After the Oct. 21 flare-up, he first had to smooth out things at home. Until that was done, he dared not agree to go to a summit. Four days later, things had calmed down a bit, and he sent off Eduard Shevardnadze, the minister of foreign affairs, to Washington to deliver a letter and make the arrangements that had been promised earlier – making Shevardnadze one of the highest paid mailmen in history.

Finally, it also is clearer now why Gorbachev's speech last Monday provided only a half glimpse of glasnost. He is walking a tightrope – trying to balance off the conservatives, who have become openly critical about what they see as the chaos evolving from these reforms, and the reformers, who complain equally openly about how disappointing the results have been so far.

Gorbachev's balancing act reflects why it is that economic reform in the Soviet Union is so difficult to implement. It also explains why others who have tried before him have failed – and why Gorbachev is likely to suffer the same fate.

A bittersweet celebration for Gorbachev's people

By Marshall I. Goldman
Special to The Christian Science Monitor

Cambridge, Mass.

The celebration of the 70th anniversary of the Bolshevik Revolution this week brings with it considerably more introspection than the Soviets normally associate with such occasions.

In the past, anniversaries of this sort have been marked by braggadocio and bluster. The Soviet road was the road of the future. The future was theirs, and all claims to the contrary were nothing more than bourgeois falsification.

In truth, the Soviet Union did have much to boast about. Soviet leaders took what was once one of the most backward countries of Europe and turned it into the world's second-largest economic and military power. They introduced central planning – and with it they managed to mobilize the country's meager resources and transform the Soviet Union into the world's largest producer of steel, petroleum, natural gas, and machine tools.

In the process, a country that had been 80 percent peasant and illiterate was made into an urban society that awed the world with its breakthroughs in space and weaponry. Its elimination of unemployment, the improvement of life expectancy, and the attainment of record rates of economic growth made it the envy of many of the poorer nations of the world, a model they sought to emulate. There was reason for us to worry when in 1959 and 1960 Nikita Khrushchev warned that the Soviet Union would overtake and surpass the United States by 1970 or at the latest 1980.

PAST from page 1

These particular predictions of Khrushchev are little remembered today. If anything, his most important legacy to the Soviet Union was his effort to de-Stalinize and demystify the past. That is continuing with a vengeance today. This made Soviet conservatives nervous then, just as they are now. At the same time the incomplete process begun by Khrushchev haunts Soviets liberals who warn that if any pockets of history are left unexamined, this may open the way again to future Stalinist-type abuses.

But it is not only history that is being subjected to this new outspokenness. Soviet leader Mikhail Gorbachev himself has taken the lead in this effort. With unprecedented candor, Mr. Gorbachev has called into question almost every aspect of Soviet life.

Sweeping changes come to Moscow

Under Gorbachev, a new minister of public health was appointed who promptly acknowledged the deplorable state of Soviet health services. After several years of secrecy, new statistics were published which confirm that in recent years life expectancy has fallen and infant mortality risen.

The same Communist Party leaders who were once hailed for their leadership and good works are now denounced for their corruption and ineptitude. Some have lost their party memberships and others have been placed in prison. Government officials in Moscow are told to get out of their limousines, forsake the well-stocked stores and clinics that are specially set aside for the party and government aristocracy, and line up like the masses. Maybe then, their critics argue, they will come to understand why the population is discontented and alienated.

Gorbachev's most persistent criticism however, has been directed at the Soviet economic record. Instead of the economic successes that have been trumpeted all these years, Gorbachev has revealed that the Soviet economy, in his words, is in a pre-crisis condition. Economic growth statistics, he confesses, have exaggerated the actual results. So he fires the head of the main statistical agency and reorganizes the agency.

The faulty statistics helped to mask the facts that the population has been ill-served and that there are still at least periodic shortages of even basic commodities like meat, fruit, and vegetables. At the same time, the Soviet Union is falling further and further behind in the race to master high technology. The gap in computer sophistication between the Soviet Union and leading industrial nations is growing.

All of this is disorienting to those who have insisted all these years that Soviet accomplishments and

growth were unmatched. Nor is this disquiet limited to the masses. Writing in the government daily Izvestia, a reporter repeats a comment from an official that he overheard after a recent meeting of the party Central Committee.

"It is not turning out all that well," the official said. "They've [past Soviet leaders] repeated for 70 years that there can be no crises at all in our country. Now, here is a party leader admitting before everyone a pre-crisis condition of the economy. What will they think of us over there [in the West]?"

Fundamental policies under attack

Nor could these officials have been happy with the article by Nikolai Shmelyov that appeared in the June issue of Novy Mir, a well-regarded journal. In it, Mr. Shmelyov discussed in detail how perverse Soviet policies have been – from the ouster of the country's best farmers from the villages during the process of collectivization to the suppression of any individual initiative and the adoption instead of the central planning system.

No wonder the Soviet Union finds itself to be one of the largest importers of grain in the world, whereas before the revolution it was one of the world's largest grain exporters. No wonder it imports advanced machinery from the West, only to find that at best that same machinery is able to operate at only two-thirds of the Western level of productivity.

If the discovery of the real truth were not enough, Gorbachev has undertaken to introduce a series of reforms that promise to bring the Soviet Union many of the very institutions past Soviet leaders have insistently denounced.

Gosplan, the central planning commission that was always regarded as the secret of Soviet success, is now to become no more than an advisory committee. Prices that have been rigidly controlled and infrequently changed, thereby guaranteeing what was said to be an inflation-free society, will soon be allowed to fluctuate. That means increase. And that has set off hoarding.

Factories that have been producing unwanted goods will be closed down and their workers fired. Private business, which has been banned since the 1920s, is legal again, and private businessmen are being urged to show initiative and enrich themselves. After being thrown out of the country in the late 1920s, foreign businessmen are being welcomed back and offered the chance to set up joint ventures on Soviet territory with as much as a 49 percent equity in the business.

Gorbachev has even begun to call for convertibility of the ruble. If carried out, these measures will bring inflation, unemployment, unequal incomes, exploitation of Soviet workers, and an end to Soviet immunity from economic business cycles of a capitalist world. Imagine how those in the Soviet Union who have come to believe in the virtues of communism must feel as they see what they consider shameful aspects of capitalism being introduced in their own country.

Nor can Soviet leaders or their people derive much satisfaction from the Soviet Union's relationships with the outside world. Economically the Soviet Union, just as in the days of the czars, continues to have trouble finding customers willing to pay for their manufactured goods. Just as 80 years ago, the Soviet Union remains an exporter primarily of raw materials.

When is an ally not an ally?

Politically the Soviet Union also has little to boast about in its international relations. The Soviet Union finds itself involved almost exclusively with problem cases. The East European countries, which were formerly considered allies, are often politically and economically unreliable. The less formally affiliated states, such as Ethiopia, Afghanistan, Cambodia, Angola, Cuba, and Nicaragua, have become economic burdens.

Moreover, the Soviet Union, which traditionally found itself aligned with outsiders in their struggle with totalitarian regimes, now finds itself in almost every instance aligned with insiders defending the status quo against insurgent forces that are calling for democracy.

It is true that Gorbachev has promised his people a new beginning. But this beginning requires the scrapping of so much that has been unique and the acknowledgment that the inevitable victory of world communism may take considerably longer than promised. Those facts have forced more and more Soviets to wonder, often aloud, if the sacrifices of the last 70 years have really been worth it.

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HARVARD

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RUSSIAN RESEARCH CENTER

INDUSTRIAL PRODUCTION FIGURES

Product	Prod. in 1st 10 months of 1987	1st 10 months of 1987 as % of same of 1986
Electricty (billion kw)	1,355	104%
Petroleum (incl. gas cond; mil. tons)	520	102
Natural Gas (billion meters^3)	597	106
Coal (million tons)	632	101
Steel (million tons)	135	100.6
Fertilizer (million tons)	30.0	104
Metal-cutting Tools (bil. rubles)	2.4	97
Robots (thousand units)	11.9	92
Computer Tech. (billion rubles)	22.1	109
Tractors (million h.p.)	43.0	94
Paper (million tons)	5.1	99.99
Cement (million tons)	114	102
Meat (million tons)	9.2	105
Margarine (million tons)	n.a.	n.a.
Watches (million units)	58.2	99.8
Radios (million units)	6.7	90
TV sets (million units)	7.4	93
Automobiles (thousand units)	1106	100.1

INDUSTRIAL RESULTS FOR THE FIRST 10 MONTHS OF 1987

Gorbachev has a mixture of good and bad news in his industrial production figures. The impact of the quality inspectors continues to be felt. The drop in production overall seems to be slightly less severe than previously for goods that are fabricated or subject to quality problems. However, he now seems to be having some difficulties in the more traditional production industries that have always served as the hallmark of Soviet industry. For example, petroleum production was virtually flat in October 1987 compared to October 1986. Overall oil production was up 2%, but for the month as a whole, it was constant. Offsetting that is the fact, of course, that an earlier month's production did increase so that for the whole ten month period production is up by 9 million tons.

Production of oil and gas condensate is about 9 million tons over what it was last year at this time. Unless something should go seriously wrong in November and December, that would mean that Soviet oil production will hit a new record and will approximate 625 million tons. Prior to this, the production highpoint was in 1983, when production hit 616 million tons. Nonetheless, the fact remains that the rate of growth does seem to have leveled off. The other good news is that coal production rose 3% on an October to October comparison. Considering that for the year as a whole, coal production was only up 1%, clearly October results were good. The most serious setback, however, apparently occurred in the gas industry. Gas production was up only 1.6%, compared to 6% for the whole ten month period. Should the rate of growth continue to fall this way, that could result in very serious problems in gas output. It is seldom that the rate of growth has been that low.

Steel production was virtually constant in October 1987 compared to 1986. Electricity generation was a little better in that output rose 4%. This is comparable to the rate of growth for the whole ten month period.

LIVESTOCK HERDS

Herds	Jan-Oct 1986	Jan-Oct 1987	Jan-Oct1987 as % of 1986
Cattle	95.9	95.4	99.5%
Cows	29.2	28.8	98.6
Hogs	62.2	60.1	96.7
Sheep & Goats	118.3	117.6	99.4
Chickens	766.1	783.8	102.3

LIVESTOCK HERDS CONTINUE TO DIMINISH

Except for poultry, the livestock herds of the Soviet Union continue to diminish. The decline is not as bad as it was in August, which was the last time the Soviets reported figures. Nonetheless, the size of the herds in the extreme case of hogs is down 3.3%. In other instances, it is down approxi-

mately .5%. In the case of poultry, the flocks have increased over 2%. That still suggests, however, the Soviets have some serious problems in finding enough feed grains for their livestock. That helps to explain the Soviet purchase of soybean and soymeal for their livestock.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE

The most notable feature of the Soviet trade figures with Eastern Europe for the first half of 1987 is that Soviet exports dropped significantly. This again may be a reflection of poor weather. Soviet exports fell by approximately 1 billion rubles. In contrast, however, their imports rose by approximately 700 million rubles. As a consequence, the Soviets managed to convert their trade surplus from close to 1.4 billion rubles to barely a negligible 14 million. Almost all the East European countries, except for Czechoslovkia, found themselves with fewer Soviet imports. The GDR, Poland and Romania have negative trade balances with the Soviet Union, as does Hungary. All the other countries exported more to the Soviet Union than they imported. A larger part of the reason for the fall in the ruble value of exports is the fall in the price of energy. But it also seems as if the Soviets are accepting more East European products. The most extreme such switch occurred in Sovet-Bulgarian trade. Whereas last year, the Soviets had a 200 million ruble surplus, this year they have a 260 million ruble deficit.

SOVIET AGRICULTURE UNDER MIKHAIL GORBACHEV

Our next Corporate Sponsor seminar will take place on February 1, 1988 at the Harvard Faculty Club. We have enclosed a copy of the program and a registration form. Given the fact that agriculture in many ways is either the key or the prime obstacle to Gorbachev's long-term success, this conference should provide us with an important opportunity to hear what kind of progress, if any, is occurring. We will also examine the prospects for exports of grain from the U.S.A. to the U.S.S.R.

The Russian Research Center does not take an official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed.

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ARDEN HOUSE 1988: DETENTE REVISITED?

Application forms and programs for the 12th Annual Arden House Conference on American-Soviet Relations will be mailed out the first week in January. The program is virtually complete now. Highlighting the conference will be a keynote address by Ambassdor Jack Malock (his appearance always subject, of course, to international events). In addition, our Congressional Panel now includes Senator Timothy Wirth, Congressman Steny Hoyer and Congressman Les Aucoin. Other panel topics include "Democratization and the Political Process," "Ramifications of Glasnost," "After the Summit: What's Next in Arms Control?" "Lessons from Toshiba," "The Soviet Union and the International Business Community: Joint Ventures and International Agreements," and "The State of Economic Reform." For more information, contact Catherine Reed at (617) 495-4038 or 495-4485.

FOREIGN EXCHANGE INFORMATION

Rubles Purchased per 100	November 11 1987
Austrian shilling	05.13
UK pound	107.69
FRG mark	36.13
USA dollar	60.35
French franc	10.65
Japanese yen	00.447
Italian lira	00.0490
Swiss franc	43.81

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE FIRST HALF OF 1982 - 1987

(in million rubles)

	Exports from U.S.S.R.						Imports to U.S.S.R.					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
Bulgaria	2372	2880	3174	3156	3225	3050	2259	2573	2823	2912	3011	3317
Czechoslovakia	2460	2855	3346	3317	3368	3375	2491	2766	2996	3246	3306	3480
GDR	3093	3321	3583	3710	3826	3704	2902	3228	3772	3821	3488	3488
Hungary	1991	1961	2266	2207	2311	2205	1793	1886	2042	2280	2349	2469
Poland	2363	2595	2916	3089	3415	3042	1880	2382	2594	2611	2750	2894
Romania	660	849	952	889	1355	1212	921	891	943	1083	1242	1157
	12940	14461	16237	16368	17500	16588	12246	13726	15170	15953	16146	16805
	+694	+735	+1,067	+415	+1354	-217						

COMMENTARY

Boston Globe, Nov. 22, 1987

Public relations – Soviet style

Examining the book 'Perestroika' – or The World According to Gorbachev

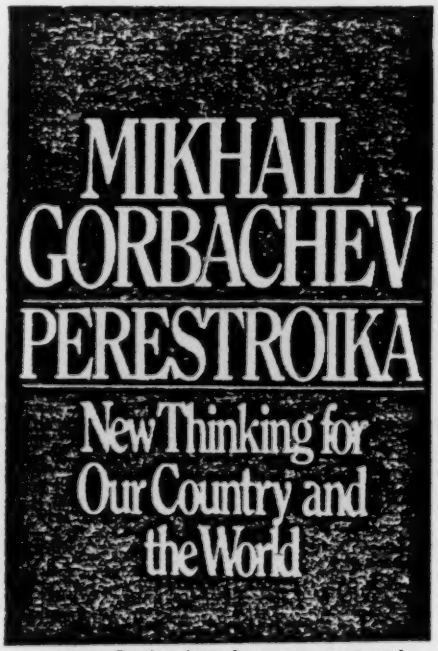
By Mark N. Kramer

Over the last two years, Soviet leader Mikhail Gorbachev has fashioned a wide-ranging program of political and economic reforms, a program known in Russian as perestroika (restructuring). What is curious about the way Gorbachev has been pursuing his reforms is the effort he has made to cultivate Western public opinion.

Certainly no American president, upon launching a major series of domestic changes, would care at all what Soviet officials (or citizens) thought about the changes. Gorbachev, by contrast, has been so concerned about fostering positive Western attitudes toward perestroika that he has occasionally spent more time explaining his ideas to foreign audiences than allaying the concerns of his own public at home. He has also dispatched countless Soviet officials and economists around the United States and western Europe where they can expound on the virtues of the new reform program. And now, Gorbachev has produced a book, "Perestroika: New Thinking for Our Country and the World," which, he claims, will allow him to "talk without intermediaries to the citizens of the whole world."

The book, we are led to believe, was written by Gorbachev during the eight weeks he disappeared from public view in August and September. Whether that story is accurate may never be known outside the Kremlin. But regardless of the precise circumstances surrounding the composistion of "Perestroika," the publication of the book last Wednesday affords at least a glimpse into what the Soviet leader is thinking.

Gorbachev's book is divided into two parts: the first dealing with domestic reforms and economic revitalization, and the second dealing with foreign relations. Although the book is not simply a compilation of past speeches, much of the substance in "Perestroika" has already appeared in one form or another, either in Gorbachev's own statements or in the decrees passed this year by the Soviet Council of Ministers and by the Communist Party's Central Committee. Anyone who turns to the book for a detailed blueprint of where the Soviet Union is heading will be disappointed. It does, however, present a good overview and at least a few observations – especially regarding the opposition that Gorbachev has encountered – that have not appeared elsewhere.



In contrast to Gorbachev's recent speech marking the 70th anniversary of the Bolshevik takeover in Russia, "Perestroika" contains no favorable references to former Soviet leader Nikita Khrushchev. In a number of places, the book also attacks the stagnation and "negative phenomena" that developed in Soviet society in the 1970s and early 1980s during the reign of Leonid Brezhnev. Gorbachev has offered similar criticisms of the Brezhnev era previously, but what is striking upon reading them again is how closely they parallel the criticisms advanced by Western analysts.

Where Gorbachev differs from Western observers is in his belief that these shortcomings are not inherent to the Soviet system. On the contrary, he contends that measures to "perfect" socialism are the only viable course and that after perestroika is completed, "the Soviet Union will gain a new attractiveness and will become the living embodiment of the advantages that are inherent in the socialist system." But perestroika, Gorbachev asserts, cannot be spontaneous: it must be implemented by a kind of "revolution from above," a "revolution (that) requires the demolition of all that is obsolete, stagnant and a hindrance to fast progress."

The problem, then, is that Gorbachev wants things both ways: He acknowledges the stultifying influence of central planning, but says that he still wants to make use of "the advantages of planning." He talks about the need for "democratization," but displays no willingness to streamline the Communist Party's interference in political, economic and social affairs; indeed, according to Gorbachev, "the drive for perestroika has only consolidated the Party's position."

On foreign policy, Gorbachev goes to great lengths to argue that what is good for the Soviet Union is good for the rest of the world. "The truth about perestroika," Gorbachev writes, "accords with the interests of universal peace and international security... The process of perestroika in the Soviet Union holds out fresh opportunities for international cooperation."

Soviet foreign policy, Gorbachev argues, is intimately bound up with the process of domestic reform. The success of perestroika, he maintains, will depend on the maintenance of a placid international environment that will enable him to concentrate on domestic priorities. Thus, it is time for "new thinking" in Soviet foreign policy, especially regarding the fundamental principle that "nuclear war cannot be a means of achieving political, economic, ideological, or any other goals." Much of the rest of the book's discussion of foreign policy, including chapters on the Socialist Commonwealth, the Third World, Europe and US-Soviet relations, is useful only because it fills in the gaps left by Gorbachev's previous speeches. The central theme, again reflecting the Soviet desire for Western approval, is that "the world expects much from our perestroika and is hopeful that (perestroika) will positively affect the entire course of world developments and international relations as a whole." Who could resist such a rosy prognosis?

On balance, what the Gorbachev book amounts to is a sophisticated public-relations job. It is an impressive work that largely avoids the crude propaganda of most other Soviet publications. Yet, however attractive the veneer of "Perestroika" may be, the underlying purpose of the book should not be forgotten, namely, to convince Western publics that "the whole world needs restructuring." That message may prove more dangerous than it seems.

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MOSCOW STALLING

IN AT LEAST one respect the much advertised *glasnost* has not reached the level of political openness practiced under Nikita Khrushchev. Between 1956 and 1964 we were given, though not invariably, the stenographic reports of the sessions of the Central Committee. The reports were, to be sure, occasionally bowdlerized. Still, the practice accorded the Soviet citizen, as well as us in the West, an occasional insight into the doings at the approaches to the Communist Olympus, the Politburo. Well, that useful practice has not yet been reintroduced by Gorbachev, and so we are left with just rumors of what happened at the very important Central Committee meeting on October 21, which, according to the official communiqué, "considered problems connected with the 70th anniversary of the Great October Revolution and some current issues."

As it is we must try to reconstruct what is obviously a very volatile Kremlin scene in the light of circumstantial evidence. One clue is found in the fact that it was almost immediately following the Plenum that Gorbachev astounded Secretary of State George Shultz by declaring that in view of the Reagan administration's position on SDI, he would not visit Washington this year. Thus there has to be a strong presumption that the October 21 meeting bared and probably aggravated a split within the Politburo concerning domestic policies, and that in view of this the general secretary felt that he could not absent himself from the scene of the struggle even for a few days, SDI being merely a convenient excuse.

It is then *perestroika* and *glasnost* and not foreign policy that are the main objects of contention within the ruling elite. And it is clear that within this context it is Soviet history that constitutes one of the main battlegrounds of the struggle. History in the Soviet Union (and, for that matter, though not to the same extent, in pre-1917 Russia) has always been considered too important to be left to historians. When it comes to political history it has, since Stalin, been the general secretary who ex officio is also the historian-in-chief. Therefore it is not surprising that it was the historical part of Gorbachev's speech that was most eagerly awaited by both the Party and society at large. Was the general secretary going to condemn Stalin as a leader and man without qualifications? Was he going to rehabilitate *fully* those Bolshevik bigwigs (practically all of Lenin's old guard) who became Stalin's victims?

THE RELEVANT PARTS of the speech fell quite short of such expectations. Reading them one gets a strong impression that they represent a compromise between the advocates of greater candor about the past (and presumably more openness now) and those oligarchs who believe, as Satchel Paige once put it, "Don't look behind, something might be catching up with you." Stalin is criticized, and severely, but Gorbachev still felt constrained to praise him as the man who led the fight against Trotskyism, and who during World War II displayed "tremendous political resolve and . . . the talent for organization and for disciplining people"—in some ways a less severe judgment on the tyrant than that rendered by Khrushchev in his time. Gorbachev also disappointed those who expected him to repudiate once and for all the opprobrious and false charges preferred against those Old Bolsheviks whom Stalin sent to their doom. The only one among them who had previously not been rehabilitated, and whom the general secretary saw fit to praise—mildly, was Bukharin. Ironically enough, that praise was in connection with Bukharin's struggle against Trotsky, some incidents of which are in fact among the less creditable events of Bukharin's career. Few could have expected a full rehabilitation of Trotsky, but many in and outside the Party must have been astounded by Gorbachev's entirely negative evaluation of the organizer of the Red Army. Nor, one feels, could the implications of the historical part of the address advance the case dear to the general secretary's heart, that of *perestroika*. Supposedly a cardinal part of the latter has to be a radical restructuring, it not abolition, of the collective farm system. Speaking of the forcible collectivization of Soviet agriculture under Stalin, a feat of brutal social engineering that cost millions of lives, Gorbachev acknowledged that indeed there had been excesses in dealing with the peasants, but on the whole "collectivization meant a basic transformation of the entire mode of life of the majority of the population, and placed it upon socialist foundations." If so, wouldn't a radical modification of the system mean a turn toward capitalism?

And so, as the Yeltsin affair also showed, the general secretary has a struggle on his hands in domestic policy. But it is at least premature to think that he himself is in danger of being overthrown. Even those oligarchs dubious of *perestroika* must realize that it would be a severe blow to the prestige of the Party, and indeed the Soviet system, to topple the first dynamic leader the country has had in years and to replace him with a gray bureaucrat à la Chernenko.

While embattled on the domestic front, Gorbachev appears to have the solid backing of the leadership on foreign policy. This was reflected in the much more self-assured tone of his November 2 speech when it came to the survey of international affairs. Unlike similar exercises by his predecessors, this survey included relatively few pejorative stereotypes about the West in general, and the United States in particular. Rather than gloating over the stock market crash and portraying it as yet another harbinger of the eventual doom of capitalism (e.g., Brezhnev in 1981: "Capitalism is a system with no future"), Gorbachev cited it to support the argument that it is in the West's own interest to reduce the burden of armaments. He also appeared to hint that the U.S.S.R. would no longer ride herd on other countries of the "socialist camp" as it had in the past: "All the Communist parties are fully and irreversibly self-governing. . . . The period of the Comintern, Cominform, and even of *binding* international consultation has passed."

Has the Kremlin thus forsaken its expansionist ways, and is it ready to watch with equanimity when a Solidarity-like movement erupts in one of its Eastern European client states? No, it would be as fatuous to come to that conclusion as to believe that what Gorbachev has in mind for his own country is Western-style political pluralism and democracy. He has not become the general secretary to preside over the liquidation of the Communist empire. Rather, the underlying sense of his speech is meant to convey what a czarist prime minister, Stolypin, had in mind when in 1908 he proclaimed that the country needed

GORBACHEV ASSAILS CRIMES OF STALIN, LAUDS KHRUSHCHEV

—*New York Times*, November 3

Gorbachev Bends to Hard-Liners By Hedging His Attack on Stalin

—*Wall Street Journal*, same day

a period of peace and internal reform, and "then you will not recognize Russia . . . and what the Russian government says will have to be listened to by Europe, by the whole world."

If the Soviet Union enters upon a period of imparting new dynamism to its economy and society, it is so as to compete more effectively on the global scale with the West. It is the Kremlin's realization of the enduring strength and viability of the great industrial democracies that has provided much of the impetus behind its current domestic and foreign policies. And so it would only be through realistic bargaining and not through one-sided concessions that the West could persuade the Soviet leaders that it is not only an agreement on nuclear arms control but a search for genuine world stability that is as much in their interest as in ours.

ADAM B. ULAM

Adam B. Ulam is the director of the Russian Research Center at Harvard University.

A Preview of Coming Attractions

With Conservatives On the Attack, Can Gorbachev Hang On?

By MARSHALL I. GOLDMAN

Is Mikhail S. Gorbachev in trouble? It is hard to believe that a Soviet leader who is about to participate in a Washington summit meeting with his American counterpart could be facing open opposition. Yet the humiliating dismissal of Boris N. Yeltsin from his post as head of the Moscow party and government apparatus and the all-out attack on democratization in Pravda on Monday have to be regarded as a serious setback for Gorbachev.

Moreover, the way Yeltsin was fired, and the events leading up to his dismissal, suggest that this may indeed be a preview of coming attractions, the dismissal of General Secretary Gorbachev himself.

Nothing quite like the firing of Yeltsin and such a broadside attack on democratization has occurred since Gorbachev assumed control. Certainly, Communist Party officials have been fired; for that matter Viktor V. Grishin, Yeltsin predecessor, was fired. But Grishin was fired for obstruction, incompetence and knavery, not because he believed too much in the reform process. Similarly democratization and *glasnost* have also been attacked, but never in such an all-out way and in such an important paper as Pravda.

There is no reason why the reform process in the Soviet Union cannot suffer setbacks. After all, this seems to happen in China every few months and yet the reforms continue. Moreover, Soviet reformers defend what is happening in their country by criticizing American observers for not applauding debate and discussion in the Politburo and the Central Committee when for years, we in the United States berated them because there were no differences of opinion and everything was decided unanimously. But there are more sinister implications here.

Several aspects of Yeltsin's dismissal were particularly distressing. The fact that he found it necessary to criticize himself for his ambitions and selfishness is reminiscent of tactics used by Josef Stalin during the purges and Mao Tse-tung during the Cultural Revolution. In contrast, when Hu Yaobang was removed as the Chinese Communist Party secretary a few months ago, he made no such self-criticisms. After all, Yeltsin's greatest shortcoming was that he was too passionate about the economic and political reforms Gorbachev was espousing and worked too hard to bring them into being.

Equally distressing for those of us not on a Central Committee, and that must include many members of the Soviet intelligentsia, is the fact that not only was there a unanimous vote against Yeltsin, but that those who attacked him did so with such vehemence and malice. In fact, that makes it all the more likely that Yeltsin's real sin was in being too thorough in his crackdown on the Moscow bureaucrats. Coming from Sverdlosk, he felt few ties to the existing bureaucracy and so he began a wholesale housecleaning. This was received with something less than enthusiasm within the bureaucracy. In a letter to a Moscow newspaper, the wife of one bureaucrat warned Yeltsin, "Don't snipe at us . . . you are not strong enough. We will rip up the puny sails of your economic restructuring and you will be unable to reach your destination." Another caution, "Go back to Sverdlosk while you still have time." And as they threatened, these bureaucrats got him before he got them.

What should make Gorbachev nervous about all of this is that he has been no less committed to the purge of inept, corrupt and bypassed bureaucrats. However, this has not been at the Moscow level, but at the national level. Those bureaucrats who have not yet been purged are opposed to Gorbachev just as they were to Yeltsin.

Nor does the similarity stop there. There is almost nothing in Yeltsin's speeches that has not appeared in Gorbachev's pronouncements. That includes criticisms of subordinates by name, including those appointed by Gorbachev himself. If anything, Gorbachev has been even more passionate in his commitment to economic reform and his criticisms of what heretofore has been trumpeted widely as past Soviet achievements. No such thing, insists Gorbachev. In referring to the reasons why he wanted economic reforms, Gorbachev explained in Riga last February that the economy "had gone downhill so that it stank." He described the Soviet economy today as being in a "pre-crisis condition."

Such criticisms have not been received kindly by more conservative members of the Politburo like Yegor K. Ligachev, the second most powerful member of the Politburo, and Viktor M. Chebrikov, the head of the KGB. Ligachev, for example, complained in August that people abroad and even "some people in our own country tried to denigrate the entire path of the building of socialism in the U.S.S.R. and present it as an unbroken chain of errors." That is not only a criticism of Yeltsin, but Gorbachev as well.

Chebrikov has had his say as well, which in light of Pravda's attack on democratization must be especially chilling. In his speech in September, Chebrikov criticized those in the West who seek to instill "in Soviet people the bourgeois understanding of democracy . . . install political and ideological pluralism . . . and plant the virus of nationalism." Given that since September of 1986, Gorbachev has repeatedly insisted that "all of us, comrades, must start learning to work in conditions of extended democracy," that "one must not be afraid of the process of democratization" and that those who oppose democracy "do not believe in our people," it is impossible to escape the conclusion that Pravda's attack on democratization is directed in whole or in large part at Gorbachev.

That Gorbachev has continued to defend his push for democratization, even after the Pravda article, suggests that he is as yet still in charge. Indeed, the fact that Yeltsin was named first deputy chairman of the Soviet State Committee for Construction shows that Gorbachev is willing and able to prevent Yeltsin's complete disgrace. But it is ironic that Gorbachev, like Ronald Reagan, will come to the summit meeting worried by attacks on his domestic policies. That is why both men need each other and an international agreement.

Marshall I. Goldman is professor of economics at Wellesley College and associate director of the Russian Research Center at Harvard University.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XII, No. 5 January 15, 1988

INDUSTRIAL PRODUCTION FIGURES

Product	Prod. in Jan-Nov 1987	Jan-Nov 87 as % of Jan-Nov 1986
Electricity (billion kw)	1,503	104%
Petroleum (incl. gas cond; mil tons)	571	102
Natural Gas (billion meters^3)	661	106
Coal (million tons)	693	101
Steel (million tons)	148	100.6
Fertilizer (million tons)	33.1	104
Metal-cutting tools (bil. rubles)	2.6	98
Robots (thousand units)	12.9	92
Computer tech. (billion rubles)	4.8	111
Tractors (million h.p.)	47.2	95
Paper (million tons)	5.7	100.2
Cement (million tons)	126	102
Meat (million tons)	10.1	105
Margarine (million tons)	n.a.	n.a.
Watches (million units)	64.3	100.9
Radios (million units)	7.4	90
TV sets (million units)	8.2	95
Automobiles (million units)	1.2	100.4

INDUSTRIAL PRODUCTION RESULTS FOR THE FIRST 11 MONTHS OF 1987

The last part of 1987 has been a time of transition. As the readers of this newsletter are undoubtedly aware, on January 1, 1988 Gorbachev's economic reforms were implemented, or at least some version of them, in enterprises producing 60% of Soviet industrial output. It is useful to look at the last few months of 1987 to see just what the conditions were for the launching of these reforms.

It is difficult to make a generalization. There are evidently some strengths in industrial output, but also some weaknesses. The strengths, for example, include the fact that coal production, which has lagged periodically, seems to be increasingly robust. While there is only a one percent increase for the first 11 months of the year, coal output in the month of November 1987 increased over 8% from what it had been in November 1986. Gas output increased in a similar way, although the overall output for the 11 months is up 6%. While not as impressive, electricity generation is also up almost 6% for the month of November, although up only 4% for the whole 11 month period.

Complementing such increases in industrial output were similar pockets of growth in the consumer sector. Production of washing machines rose and two new categories of products, at least for Soviet statistical reporting, disposable paper products, which were up 8% for the year, and wallpaper, which was up 15% for the year, also performed quite well. These last two items, by the way, reflect Gorbachev's determination to make more goods available on the consumer side.

As for other industrial sectors, the news is not quite so good. Petroleum production for the month of November seemed to be constant compared to what it had been in 1986, although for the year as a whole, output is up about 2%. Similarly, steel production is the same as it was before.

More serious in nature is the fact that the Soviets are still having trouble adjusting to the quality inspection process (gospriemka). In November 1987, .4% of industrial output was rejected. Officially that is supposed to amount to just 50 million rubles, but the complaints still continue to come in. Moreover, the Soviets list a large number of important ministries which are having difficulty meeting their quality targets. For example, they single out the Ministry of Machinery Tool and Tool Building Industry, the Ministry of Chemical and Petroleum Machine Building, and the Ministry of Instrument Making, Automation Equipment, and Control Systems.

Equally distrurbing is the fact that one in three enterprises and trade associations has been unable to meet its contract commitments. One of the features of

the reform is that more and more enterprises will be operating on the basis of contracts. If even now only one out of three can meet its targets, significant problems may be on the horizon.

Perhaps the most disturbing note of all is that there appear to be serious problems in the retail trade sector. During a visit to Moscow in early December, I was told that for the first time in memory, there was no meat in the diplomatic Beriozka stores. Since these stores are usually at the top of the priority list, it is likely that meat supplies were in even shorter supply at lower levels. I did see some meat in a Soviet store, but it looked awfully tired. Justification for concern is further supported by the fact that the official statistics indicate that the retail trade plan was only 96.5% fulfilled. This suggests that either retail trade was stagnant or indeed did drop. That is hardly the way to win friends and support for the reforms.

CORPORATE SPONSOR SEMINAR: SOVIET AGRICULTURE UNDER MIKHAIL GORBACHEV

The third Corporate Sponsor conference of the year will be held on February 1. Given the fact that the Soviets seem to be showing more interest in importing grain and other agricultural products, the conference comes at a particularly appropriate time. Among the speakers will be representatives from the U.S. Department of Agriculture who have just returned from negotiations with the Soviets. The morning panels will feature U.S. businessmen who have been engaged in joint ventures discussions, as well as those with extensive experience in selling to the Soviet Union. A member of the Soviet trade representation to the USA will be our final speaker of the day. Please note that the starting time of the conference has been moved back to 10:00 a.m. Applications and programs are included in this mailing.

ARDEN HOUSE 1988: "DETENTE REVISITED?"

The 12th annual Arden House Conference on American-Soviet Relations is scheduled for March 12 through 27, 1988. For those of our readers who are not familiar with Arden House, the conference is sponsored jointly by Harvard's Russian Research Center and the Harriman Institute of Columbia University. This year's program topic is "Detente Revisited?" and promises to yield an exciting and stimulating weekend of panels and discussions. We are pleased to announce that our keynote speaker will be Ambassador Jack Matlock and our congressional panel will include Senator Timothy Wirth and Congressmen Steny Hoyer and Les AuCoin. Panel topics include "The Process of Democratization," "Ramifications of Glasnost'," "After the Summit: What's Next in Arms Control," "The Soviet Union in the International Business Community," and "The State of Economic Reform." A program and application form will be mailed out to all our readers before the 1st of February. We apologize for the delay, but we are waiting for a confirmation from one more speaker. For further information, contact Marshall Goldman or Catherine Reed at (617) 495-4038.

PERESTROIKA AT THE RUSSIAN RESEARCH CENTER?

While we wouldn't want anyone to think that we have decided to become a profit-making organization (we have been accused of this when we try to promote our T-shirts), we must make a pitch for a new game, **Russian Roulette.** It is one of the funniest games we have seen, with the goal being the accumulation of enough years of experience to be elected to the Politburo. Years are gained or lost by risk cards which range from "KGB Chief dislikes you ... lose one year" to "Become a candidate member of the Politburo ... gain four years." What draws us particularly to promoting the game is the fact that its originator, Myron Beckenstein, came up with the idea while waiting for a plane after one of our conferences. As he put it, "This is probably one of the more unexpected spinoffs of your meetings." Understanding what a pain it is to wait at Logan airport, we want to do everything we can to make it up to him. For those interested, you should write to The Other Leading Brand Companies, 6281 Tufted Moss, Columbia, MD 21045. The cost of the game is $20.00, with a $2.50 shipping fee. It really is fun!

SOVIET OBSERVER MAKES ITS DEBUT

The Soviet Observer is a new newspaper dealing with all aspects of Soviet affairs: trade, economy, society and the arts. It is edited by a former NATO economic analyst and one-time affiliate of the Russian Research Center, Philip Clendenning. Articles will include translations from leading Soviet journals, Ogonek, EKO, Gosudarstvo i Pravo, Kommsomolskaia Pravda and others, abstracts, indepth special features, and reviews of recent Soviet books, plays, and films. 26 issues per year; rate: $85.00 (includes postage). Write for a sample issue or subscribe: The Soviet Observer, 66 Clyde Street, Newton, MA 02160 (617) 964-2818.

FOREIGN EXCHANGE INFORMATION

RUBLES PURCHASED PER 100	NOV 11	DEC 2
Austrian shilling	5.13	5.18
UK pound	107.69	108.95
FRG mark	36.13	36.38
US dollar	60.35	59.58
French franc	10.65	10.68
Japanese yen	.447	.450
Italian lira	.0490	.0493
Swiss franc	43.81	44.34

The Russian Research Centers takes no official stand on any economic or political trend. The views and analyses appearing in this newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed.
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HARVARD-COLUMBIA
ARDEN HOUSE CONFERENCE
ON
AMERICAN-SOVIET RELATIONS
DETENTE REVISITED?

Russian Research Center
1737 Cambridge Street
Cambridge, Mass. 02138
(617) 495-4037

W. Averell Harriman Institute
420 West 118th Street
New York, N.Y. 10027
(212) 280-4623

12th Annual Arden House Conference
March 25-27, 1988

Please enroll me as a participant in the 1988 Arden House Conference:

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(1) Bus departing from the Eastern Airlines Shuttle Terminal baggage claim area at LaGuardia at 3:20 p.m., Friday, March 25, 1988.
(2) Bus departing from Bryant Park, 42nd Street and Avenue of the Americas (bus will be on the east side, between 41st and 42nd, facing north) at 3:30 p.m., Friday, March 25, 1988. (*Buses will shuttle people from Arden House to location 1 or 2 on Sunday, March 27, 1988 at 1:00 p.m.*)
(3) I will have my own transportation.

Indicate where you would like to sit in the conference room: Smoking / Nonsmoking.

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Return completed form and payment (checks should be made payable to the Russian Research Center, Harvard University) to:

Catherine Reed
Program Coordinator
Russian Research Center
1737 Cambridge Street
Cambridge, MA 02138

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XII, No. 6 February 13, 1988

INDUSTRIAL PRODUCTION FIGURES FOR 1987

Product	Produced in 1987	1987 as a % of 1986
Electricity (billion kw)	1665	104%
Petroleum (million tons)	624	102
National Gas (billion meters^3)	727	106
Coal (million tons)	760	101
Steel (million tons)	162	100.8
Fertilizer (million tons)	36.3	105
Metal-cutting tools (billion rubles)	2.8	97
Robots (thousand units)	14.1	92
Computer tech. (billion rubles)	5.3	111
Tractors (million h.p.)	52.1	96
Paper (million tons)	6.2	100.6
Cement (million tons)	137	102
Meat (million tons)	12.1	104
Margarine (million tons)	1.5	106
Watches (million units)	71	100.9
Radios (million units)	8.1	91
TV sets (million units)	9.1	96
Automobiles (million units)	1.3	100.5

LIVESTOCK HERDS: (million head)	As of 1/87	As of 1/88	1987 as % of 1986
Cattle	122.1	120.5	98.7%
Cows	42.4	42.0	99.0
Swine	79.5	77.3	97.2
Sheep and Goats	148.7	147.0	98.8

YEAR-END REPORT FOR SOVIET INDUSTRIAL AND AGRICULTURAL PRODUCTION

Nineteen hundred and eighty-seven, at least in terms of economic growth, was not Gorbachev's best year. While there were some positive accomplishments to report, there were an equal or greater number of negative results which may reflect poorly on the process of reform. Admittedly, some of the most far-reaching changes were made on January 1, 1988 and thus are not reflected in the 1987 results. Nonetheless, there were enough elements of the reform package introduced in 1987 to have produced some positive results. These results are very difficult to pinpoint.

It is necessary to say in Gorbachev's defense, that the weather was not particularly helpful for either agriculture or industry. It was a very cold year, particularly in the early months, and this hindered productivity. However, it is also true that the decision to send quality-control inspectors into 1500 of the Soviet Union's largest enterprises caused a certain amount of chaos. A significant percentage of goods were rejected which would have found their way to the market in the past. This resulted in a drop in production. This fall persisted throughout the year and was most notable in those industries in which quality is an important consideration.

But even in those industries where quality and value-added are not as vital, there was not much to show. Thus, in the petroleum industry, while petroleum production reached a record high of 624 million tons, there were still some difficulties at the end of the year. The gross figure does exceed the record established in 1983, but for Gorbachev, the concern is that in the last three months of 1987 production apparently leveled off and petroleum output was essentially the same as it had been in the last quarter of 1986. At the same time, coal production, while officially listed at a 1% increase for the year, in a December-to-December comparison was unchanged from 1986 to 1987. Natural gas production for the whole year was up 6%, compared to 7% for the previous year. Steel production in December 1987 was the same as in 1986 -- no increase.

The consequence of all these factors is that "produced material income" in 1987 rose a mere 2.3%. That contrasts with a 4.1% increase in 1986. The figure is not always a meaningful one, but however calculated, it does suggest that economic growth is not as robust as Gorbachev might like to show.

Perhaps Gorbachev's most serious problem is agriculture. It is in agriculture that his reform effort will be judged by the man in the street. Here the results continue to be bleak. The potato harvest, for example, was only 87% of what it had been the previous year. Vegetable output declined 2% and the fruit harvest was down by over 30%.

Gorbachev also is faced with declining livestock herds. As the accompanying table indicates, the cattle herd is down by slightly over 1% and the number of cows is below what it was last year at this time. The swine herd size is unchanged, and sheep and goat herds are below last year's levels. This is the first time in many years that the herd size of these four categories of livestock is lower than the previous year.

The retail sales of food products did not drop as much as the fall in production. Retail sales have not declined to the same degree because the Soviets have supplemented domestic output of those goods with imports. The increased level of imports helps to explain why fruit sales, including citrus fruit, actually were up 2%.

Equally significant is the fact that the sale of timber to individuals was up 24%. This is a result of the Soviet decision to allow more private construction. The secret to success in the countryside may ultimately rest in the hands of the individual.

Reflecting Gorbachev's general problem, however, is the fact that savings went up 24 billion rubles in 1987, but retail sales went up only something over 9 billion rubles. This disparity results from the fact that the increase in purchasing power significantly exceeds the rise in production of consumer goods. Frustrated consumer demand results in widespread discontent and the hidden inflation which continues to plague Gorbachev. Morale suffers as a consequence.

SOVIETS RELEASE NEW STATISTICS

As part of *glasnost'*, the Soviets now are publishing their export figures for crude oil and refined petroleum products. The Soviets stopped publishing the absolute volume in the beginning of 1978, thereafter providing statistics only on ruble value. The figures contained in the accompanying table have just been released and show that the Soviet Union increased oil exports in 1986 by 12%. Natural gas exports rose 15%. We do not know exactly where that increase in exports was channeled, but the likelihood is that it found its way to the hard currency countries in Western Europe and Japan. However, as the balance of trade figures for 1986 indicate, the increase in exports did not seem to have the desired impact as the ruble value of exports to those countries fell by 25%. This is clearly a consequence of the fall in the dollar price of petroleum.

Nor did conditions improve much in 1987. The ruble value of exports for the first three quarters of 1987 rose by almost 5%. However, in an effort to reduce the size of the trade deficit, imports were reduced by over one billion rubles, or by 13%. What is noteworthy is that despite the significant drop in imports, particularly from the grain exporting countries, a look at the table entitled "Soviet Agriculture Exports and Imports" indicates that the Soviets increased significantly their imports of meat, fruit and vegetables. This explains why it was possible to increase the sales of fruit and why the sale of potatoes and meat did not drop as much as might have been expected given the fall in domestic output. This is also the first time in several years that the Soviets have indicated how much grain they have imported. In the past, they restricted themselves to publishing only the ruble value of imports.

SOVIET BALANCE OF TRADE TABLE

Finally, our readers should note the change in exports from the Soviet Union to Spain. They amounted to 81 million rubles during the first nine months of 1986 and were increased four-fold in 1987.

CHANGES IN THE ECONOMIC ADMINISTRATION

While it did not receive widespread attention in the Western press, Gorbachev has introduced some major changes in the economic administration of the country. In January, he abolished the Ministry of Foreign Trade. While some of its functions were transferred to the new Commission for Foreign Economic Relations, it can be expected that there will be some confusion in the near-term in the export-import sector.

Equally fundamental in its impact is the announcement that Nikolai Talyzin, the Chairman of Gosplan, was fired. What is significant about this is that Talyzin was a Gorbachev appointee. Talyzin has been replaced by Yuri Maslyukov, who was a first deputy chairman of the Council of Ministers. This seems to be reminiscent of the strategy Boris Yel'tsin was accused of following ... if after a time, your new appointees don't obtain results, then fire them.

AMERICAN-SOVIET TRADE FIGURES FOR THE FIRST THREE QUARTERS OF 1987

The most notable change in the pattern of U.S. exports to the Soviet Union in the first three quarters of 1987 was the resumption of Soviet purchases of wheat. Whereas there were no purchases of wheat in the first three quarters of 1986, the total Soviet purchase of $325 million of what in 1987. In contrast, during the first three quarters of 1986, they bought $312 million worth of soybeans, but as of the first three quarters, only $12 million. The total value of exports to the Soviet Union during the first three quarters were at about the same level in 1987 as it had been in 1986. The Soviets also seem to be buying larger quantities of plastic tape.

On the import side, the United States reduced its purchases of Soviet commodities during the first three quarters of 1987 by almost $200 million. A reduction in imports of fuel oil, urea, and anhydrous ammonia accounted for much of that drop. As a consequence, the Soviet Union remains one of the few countries with which the United States has a positive trade surplus.

RUSSIAN RESEARCH CENTER ORGANIZES EXCURSION TO THE USSR

PERESTROIKA AND *GLASNOST'* IN THE SOVIET UNION

The Russian Research Center is organizing a working excursion to the Soviet Union. The purpose of our trip is to

familiarize participants with the current state of the economic reforms being implemented by General Secretary Gorbachev. Unlike the usual tourist visit, we will combine some sightseeing with a four-day series of professional meetings in Moscow.

Briefings and discussion sessions will be provided throughout the trip. Topical meetings have been scheduled with some of the leading Soviet proponents and implementors of the reform. To round out the program, we have arranged meetings and information sessions with American journalists, diplomats and businessmen working in Moscow. This will give us a chance to hear first-hand about the progress of the reforms from both Soviet and American perspectives.

The trip is scheduled to leave the United States on Thursday, September 1 and return on Saturday, September 10. We have purposely planned this trip around the Labor Day weekend in order to reduce the number of working days spent outside the USA.

The trip will begin with three days in Leningrad, where there will be some of the more traditional sightseeing and entertainment, and will then move to Moscow for the business and information meetings, which will be broken up by a Wednesday trip to a historic city such as Suzdal. Evening cultural performances will be arranged as well.

This is a trip designed to provide our participants with the type and degree of exposure that those of us doing research on the Soviet Union normally experience. The expectation is that the trip will be led by Marshall Goldman and Catherine Reed of the Russian Research Center. We anticipate the cost will be somewhat higher than might be found in standard tourist trips to the USSR. The difference in cost is chiefly due to the decision to fly business-class and also to allow participants to make a contribution to the Russian Research Center. The cost of the trip will be as follows:

Business class, dbl occupancy:	$6,000 per person
Business class, single room:	$6,500 per person
Economy class, dbl occupancy:	$5,000 per person
Economy class, single room:	$5,500 per person
Land only (you arrange your air travel independently):	
for double occupancy:	$3,500 per person
for single occupancy:	$4,000 per person

A portion of the fee is considered a charitable contribution to the Russian Research Center. There will be room for 24 people, and we already have several reservations. If you are interested, please write or call Catherine Reed for more information.

12TH ANNUAL ARDEN HOUSE CONFERENCE ON AMERICAN-SOVIET RELATIONS

Our twelfth annual Arden House conference will take place March 25-27, 1988. Most of the Arden House program is in place now. Among the interesting sessions this year will be one focusing on the issuance of Soviet bonds, particularly since this may be the beginning of a new initiative on the part of the Soviet Union. The views of the European bankers who have been directly involved in the transaction should be of interest to our participants.

Reservations are already coming in and we encourage you to send in your application early in order to assure yourself of a space. As we did last year, we will maintain a waiting list in order to accomodate as many participants as possible. If you have any questions regarding the conference, contact Catherine Reed, Program Coordinator, at (617) 495-4038.

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The Russian Research Center takes no official stand on any economic or political trend. The views and analyses appearing in this newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed.

SOVIET AGRICULTURAL EXPORTS AND IMPORTS

	1980	1985	1986
Grain (mil. metric tons)			
Total imports:	27.8	44.2	26.8
of which			
wheat	14.7	21.4	15.7
barley	2.3	3.7	3.6
corn	9.9	18.6	7.2
Exports:	1.7	1.8	1.5
Other Food Imports (thousand tons)			
meat	821	857	936
fruit	995	1122	1269
veget.	133	190	271

SOVIET ENERGY EXPORTS

	1980	1985	1986
Crude Oil (mil metric tons)	119	117	130
Refined Products	41	50	57
Total:	160	167	187
Natural Gas (bil cubic meters)	52.2	68.7	79.2

BALANCE OF TRADE - 1st NINE MONTHS OF 1982 - 1987
(Million Rubles)

	EXPORTS FROM THE USSR						IMPORTS TO THE USSR					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
Austria	493	413	563	603	415	268	387	622	656	615	638	428
Belgium	774	741	902	658	444	569	421	449	380	425	337	274
Great Brit.	622	802	974	833	943	1158	531	495	587	563	407	394
Greece	441	343	416	408	156	176	100	128	87	104	46	32
Denmark	268	221	275	213	105	91	53	54	73	76	113	59
Spain	106	229	224	148	81	334	127	182	227	291	130	122
Italy	2209	2152	2388	1799	1110	1271	874	1119	983	970	1119	1250
Neth.	1175	1393	1243	770	425	591	282	410	188	227	181	185
Norway	59	59	78	91	41	51	56	75	60	51	55	48
Germany	2982	2498	3478	3026	2197	1780	2201	2685	2558	2400	2268	2037
France	1664	1768	1695	1554	1116	1093	958	1353	1246	1291	860	851
Switz.	326	394	290	244	235	239	311	274	293	384	360	404
Sweden	289	491	441	392	213	301	283	191	184	240	190	171
Japan	556	579	633	695	721	690	2129	1707	1534	1849	1755	1234
Subtotal	11,964	12,083	13,600	11,026	8,202	8,612	8,713	9,744	9,056	9,486	8,459	7,489
Sub-Bal. of Trade							+3,251	+2,339	+4,544	+1,540	-257	+1,123
Argentina	25	19	20	44	51	31	1,133	1,153	983	1,114	172	374
U.S.A.	112	171	210	228	216	197	1,811	1,037	1,734	1,927	997	747
Canada	17	22	15	13	9	11	945	990	971	466	383	327
Australia	12	5	12	12	7	10	438	321	365	446	446	253
New Zealand	5	1	6	3	3	4	178	145	38	61	3	58
Brazil	122	85	93	48	25	43	356	429	396	300	200	190
Total	12,257	12,386	13,956	11,374	8,513	8,908	13,574	13,819	13,543	13,800	10,660	9,438
Balance of Trade							-1,317	-1,433	+413	-2,426	-2,147	-530
Finland	1,735	1,744	1,833	1,588	1,153	1,292	2,021	2,043	1,747	1,914	1,677	1,530
	13,992	14,130	14,789	12,962	9,666	10,200	15,595	15,862	15,290	15,714	12,337	10,968
							-1,603	-1,732	- 501	-2,752	-2,671	- 768

Table 1.--Soviet Union: Leading U.S. Imports for consumption, C.i.f. value
Provided by ITA/IEP/EUR from Census data
(Thousands of dollars)

Time period: / TSUSA commodity	1984	1985	1986	January-October 1986	January-October 1987
Total all commodities	602,081	440,701	601,396	528,036	344,788
4806540--Anhydrous ammonia	156,240	131,097	91,351	82,367	54,797
6050270--Rhodium	3,683	10,725	29,268	16,719	34,669
6050260--Palladium	59,598	27,759	23,399	19,299	25,514
4751015--Lt fuel oil un45 25 api aov	177,684	32,946	0	0	25,148
6181000--Aluminum waste & scrap	4,892	6,534	20,354	15,747	22,479
4750535--Fuel oils un 25api ov125sec	9,494	21,130	80,520	76,209	20,505
1241045--Sable furskins, whole, raw	9,848	7,250	13,355	8,583	15,318
4225220--Uranium fluorides	0	0	0	0	11,119
4753500--Naphthas fr petrol etc nspf	0	25,002	0	0	9,028
6050750--Palladium bars plates etc	15,186	4,386	7,020	4,484	8,684
4751035--Fuel oils 25api aov ov125se	6,306	0	0	0	8,531
1693700--Vodka not ov 1 gal nov$7.75	1,871	8,023	9,293	7,933	8,077
4017420--Para-xylene	1,151	2,149	2,762	2,762	8,012
1693800--Vodka nt ov 1 gal, ov $7.75	7,736	3,501	5,071	3,647	5,806
6063546--Frsicn 30-60% silicon nspf	1,591	3,432	2,121	1,941	5,702
4752524--Leaded gasoline	0	26,994	0	0	5,545
3201934--Cot sheetg<6 n-ff/n/dc sng ubnf	0	0	50	49	5,464
6050220--Platinum sponge	2,960	3,961	7,847	4,163	5,313
4017415--Ortho-xylene	4,015	9,446	12,810	11,809	5,308
4805000--Potassium chloride crude	10,340	0	1,669	1,669	4,693
6050710--Platinum bars plates etc	3,340	959	13,742	4,305	4,525
2452020--Hdboard ov $96.2/3 stn nspf	2,576	1,874	3,063	1,900	3,580
4011000--Benzene	3,233	5,840	3,049	0	3,049
4803000--Urea, nspf	52,408	61,029	65,623	65,623	2,313
6180650--Unwr aluminum alloys, nspf	7,687	1,035	3,430	2,278	2,218
6923406--Trac,whl,ag 40 hp und 80 hp	819	995	1,501	1,084	2,086
1133000--Sturgeon roe	929	969	952	384	1,658
4230030--Rare-earth oxides	805	726	1,844	1,580	1,628
2401440--Plywd brch fc no fin exc dm	3,298	1,916	1,843	1,556	1,593
4750510--Crude petrol,test un25degapi	0	0	6,312	6,312	1,577
Total of items shown	547,692	399,679	408,250	342,402	313,939
Total other	54,389	41,022	193,146	185,634	30,849

Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 30 commodities sorted by imports for consumption, C.i.f. value in 1987 January-October.

Table 1.--Soviet Union: Leading U.S. Total exports, F.a.s. value
Provided by ITA/IEP/EUR from Census data
(Thousands of dollars)

Time period: / Schedule B commodity	1984	1985	1986	January-October 1986	January-October 1987
Total all commodities	3,283,931	2,422,826	1,247,512	1,156,315	1,114,681
1306540--Wheat,unmilled,not donated	1,170,572	158,712	0	0	325,111
1303465--Yellow corn, not donated	1,389,842	1,502,148	280,589	280,589	278,700
4801000--Fertilizers a fert materials	0	151,730	261,478	221,879	183,977
7905510--Pres sens tape, plast backng	54,920	59,811	54,290	41,763	52,585
7118750--Physical anal eq elec & pts.	1,825	1,724	4,469	4,050	38,922
1454300--Almonds,shelled,not blanched	24,501	66,341	37,611	37,611	20,080
1775640--Tallow, inedible	29,745	30,943	15,468	15,468	16,269
4754555--Insulating or transform oils	16,449	7,827	18,462	16,086	12,761
5175120--Petroleum coke, calcined	8,178	21,694	13,898	13,898	12,167
1754100--Soybeans, nspf	14,039	0	312,981	312,981	11,998
7905570--Pres sens tape, rub tex back	3	2,209	3,795	1,987	8,516
5176100--Electrodes, carbon o graphit.	1,609	7,390	9,282	8,698	7,319
7745025--Articles, rubr & plastc nspf	0	0	2,293	1,985	6,889
4223009--Titanium comp ex pig gr	0	0	0	0	6,836
2500225--Wd plp,sulphite,blchd,nspf	0	0	1,451	0	6,462
4754520--Auto diesel & mar en lub oil	1,255	11,992	14,562	14,562	6,290
4754510--Aviation eng lube oil ex jet	0	0	3,252	3,252	5,743
4754580-- Lube oils nspf excpt wht mi	1,630	8,804	5,106	4,876	5,423
6619880--Parts nspf filter & purif eq	2,578	2,712	2,364	1,930	4,038
2500284--Wd plp,sp alpha, dsslvg grds	2,382	0	3,271	3,271	4,015
6785002--O/g fld wr in & dwn hl equip	0	10	13	12	3,734
6923160--Trklyng trac new ov 344 nehp	5,325	0	38,132	38,132	3,468
4744160--Industrial varnishes	2,925	3,220	3,039	2,426	3,370
6923820--Parts nspf tracklaying trctr	12,863	7,399	7,044	5,649	3,189
7118738--Pts nspf chrmtgrp nelec inst	1,496	902	319	275	3,038
4756750--White mnrl oil ex medcnl gr.	0	0	0	0	3,003
6605460--Parts of indust gas turbines	8,799	1,807	2,594	2,586	2,707
6744252--Machine tools etc nspf	390	187	373	373	2,499
4722500--Carbon black incl thermal	584	652	1,089	1,005	2,483
6605440--Pts nspf, tractor diesel eng	3,600	889	0	0	2,460
Total of items shown	2,755,512	2,049,103	1,097,227	1,035,343	1,044,054
Total other	528,420	373,723	150,285	120,972	70,627

Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 30 commodities sorted by Total exports, F.a.s. value in 1987 January-October.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Volume XII, No. 7 March 10, 1988

INDUSTRIAL PRODUCTION FIGURES FOR JANUARY 1988

Product	Produced in January 1988	1988 as a % of 1987
Electricity (million kw hours)	161	100.8
Petroleum (million tons)	53.2	101.
Natural Gas (million cubic meters)	67.1	107.
Coal (million tons)	67.5	100.8
Steel (million tons)	13.9	103.
Fertilizer (million tons)	3.2	104.
Metal-cutting tools (thousand units)	3.6	102.
Robots	n.a.	n.a.
Computer technology (million rubles)	419	133
Tractors (million hp)	4.3	102.
Paper (million tons)	0.5	106.
Cement (million tons)	11.6	102.
Meat (million tons)	1.1	99.
Margarine (thousand tons)	141	106.
Watches	n.a.	n.a.
Radios	n.a.	n.a.
TV sets (million units)	0.7	134.
Automobiles (thousand units)	107	103.

INDUSTRIAL OUTPUT FOR JANUARY 1988

The Soviet economy seems to have functioned better in January 1988 than it did in January 1987. Contributing to this improved performance was the decidedly more favorable weather of January 1988 when compared to the exceptionally cold first few months of 1987. Since the weather was more nearly normal this year, production in many instances was higher compared to 1987, although it may actually have been lower than what was attained in January 1986.

Nonetheless, overall output does seem to be improved. In some instances output is significantly higher, although the Soviets seem to have tampered with the figures to some extent. They have shown rather high increases for some industries which they do not normally report. Thus a look at the overall statistical report shows that output in January 1988 for some products was almost 300% of what it had been a year earlier.

Some of the traditional categories of production do seem to show improvement. Most notably, petroleum extraction continues to increase and is reported as 1% higher in January 1988 than it was in 1987, thus establishing a new production high in January 1988 -- surpassing the previous record established in January 1983. On a more disappointing note, electricity generation increased only slightly, up less than 1%. This is the first time the increase has been so low many years. Meat production actually dropped on a year-by-year basis, in contrast, motorcycle production was up 22% and color television output was up 84%. Even automobile output increased 3%, breaking the trend of production increases of around 1% for the last several years.

All of this is occurring despite the presence of state quality inspectors in 2200 factories, a significant increase over the 1500 of last year. Overall, the results are positive. In fact, the Soviets report that the growth of industrial production rose 4.7%.

It is difficult to tell, however, if what seems to be an improvement in some industries is a consequence of the switch to the new emphasis on self-financing and a diminution in the role of the ministries and Gosplan. As yet we do not know the full composition of all the industries which are producing the 60% of Soviet output and who have been assigned the new forms of operation.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE FIRST 9 MONTHS OF 1987

Soviet economic pressure on Eastern Europe continues. Compared to the first nine months of 1986, exports from the Soviet Union to Eastern Europe dropped by over a billion rubles in the first nine months of 1987. At the same time, imports from the area rose by over a half billion rubles. Thus, whereas in 1986 the Soviet Union had a trade surplus with Bulgaria, in 1987, they were importing more from Bulgaria than they were exporting. The same situation holds for Czechoslovakia. The Soviets now have trade surpluses only with the

German Democratic Republic, Poland, and Romania. This suggests that as part of the reform process, the Soviets are making greater economic demands of their East European allies.

NEW RADICAL PROPOSAL SUGGESTED BY SOVIET ECONOMIST, L. NIKIFOROV

In an article in Ekonomicheskaya Gazeta, the economist L. Nikiforov, of the Institute of Economics of the USSR Academy of Sciences, suggested that the time may have come not only to increase the use of rent, but of the sale of stock. He particularly is interested in selling stock to employees, but he recognizes that it might be sold to the general public as well. He also is well aware of the ideological consequences, but argues that it would produce results and make it possible to mobilize the savings of the Soviet population in a way that is not now feasible. This seems to be one of the most far-reaching suggestions that has come out of recent discussions about economic reform. This does not mean that the policy is being adopted. However, it has been reported that a company intended to grow vegetables during the winter was formed in Lvov and is selling stock to individuals, both workers and peasants. Shares can also be pur-chased by other enterprises in the area.

12th ANNUAL ARDEN HOUSE CONFERENCE

U.S. Ambassador Jack Matlock has reconfirmed his intention to deliver the keynote address at this year's Arden House conference. He will be back in the country for the meeting between Secretary of State George Shultz and Foreign Minister Eduard Schevardnadze, scheduled for March 22.

Another addition to the conference will be the presence of Congressman Les Aspin. Congressman Aspin spoke last year and will attend as a guest this year. We anticipate that even though he will make no formal presentation, Congressman Aspin will be unable to restrain himself, particularly during those those panels dealing with arms control. He expects to be in attendance for the entire weekend.

Those who have not already sent in their applications are urged to send them in as quickly as possible.

RUSSIAN RESEARCH CENTER ORGANIZES EXCURSION TO THE USSR

PERESTROIKA AND *GLASNOST'* IN THE SOVIET UNION

The Russian Research Center is organizing a working excursion to the Soviet Union. The purpose of our trip is to familiarize participants with the current state of economic reforms being implemented by General Secretary Gorbachev. Unlike the usual tourist visit, we will combine some sightseeing with a four-day series of professional meetings in Moscow.

Briefings and discussion sessions will be provided throughout the trip. Topical meetings have been scheduled with some of the leading Soviet proponents and implementors of the reform. To round out the program, we have arranged meetings and information sessions with American journalists, diplomats and businessmen working in Moscow. This will give us a chance to hear first-hand about the progress of the reforms from both Soviet and American perspectives.

The trip is scheduled to leave the United States on Thursday, September 1 and return on Saturday, September 10. We have purposely planned this trip around the Labor Day weekend in order to reduce the number of working days spent outside the USA.

The trip will begin with three days in Leningrad, where there will be some of the more traditional sightseeing and entertainment, and will then move to Moscow for the business and information meetings, which will be broken up by a Wednesday trip to a historic city such as Suzdal. Evening cultural performances will be arranged as well.

This is a trip designed to provide our participants with the type and degree of exposure that those of us doing research on the Soviet Union normally experience. The expectation is that the trip will be led by Marshall Goldman and Catherine Reed of the Russian Research Center. We anticipate the cost will be somewhat higher than might be found in standard tourist trips to the USSR. The difference in cost is chiefly due to the decision to fly business-class and also to allow participants to make a contribution to the Russian Research Center. The cost of the trip will be as follows:

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RRC@ 1988

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE 1ST NINE MONTHS OF 1981-1987

(in million rubles)

	Exports from U.S.S.R.							Imports to U.S.S.R.						
	1981	1982	1983	1984	1985	1986	1987	1981	1982	1983	1984	1985	1986	1987
Bulgaria	3225	3546	4141	4661	4788	4842	4644	2751	3245	3720	4122	4425	4442	4856
Czecho-slovakia	3108	3728	4270	4948	5002	5116	5032	3060	3513	4018	4422	4806	4778	5035
GDR	4037	4587	4992	5385	5619	5852	5582	3861	4270	4879	5576	5619	5228	5173
Hungary	2445	2711	2951	3298	3318	3486	3398	2413	2710	2957	3178	3513	3600	3766
Poland	3667	3581	3868	4450	4804	5091	4778	2419	2882	3485	3843	3960	4316	4355
Romania	1111	1013	1199	1352	1351	2062	1819	1237	1323	1280	1340	1657	1859	1729
	17593	19166	21421	24094	24382	26449	25253	15741	17933	20339	22481	23980	24223	24914
Balance of Trade	+1852	+1283	+1082	+1613	+902	+2226	+339							

Is There More Show Than Substance to Soviet Layoffs?

By MARSHALL I. GOLDMAN

Mikhail S. Gorbachev has quickly discovered that the benefits and the bounties of more reliance on the market are just what the lagging Soviet economy needs, but they come at a high price.

In particular it is impossible to produce responsively and efficiently and to increase productivity as long as enterprise managers have no need to trim their bloated work forces. But that means, among other things, massive firings—something that the Soviet economy has generally avoided. The Soviets have long insisted that the guarantee of full employment is one of the true advantages of their society. Indeed, freedom of the fear of being fired has often been cited as a basic Soviet human right, absent in the Western world.

Against that background, the announcement in Pravda that as many as 16 million Soviet workers will have to find new jobs by the year 2000 has inevitably generated enormous unease. This could involve 13% of the Soviet work force. Considering that a 10% unemployment rate in the United States is a source of political disquiet, imagine what an even higher Soviet rate would mean, particularly since the Soviet Union has never experienced anything comparable. That explains in part why a survey of Siberian workers found that only 30% supported Gorbachev's reforms. Those opposed have gone so far as to strike, and in one extreme case—in the Turkmen Republic—to murder one of the officials responsible for implementing the reforms.

So far, however, the specter has been more dramatic than the reality. There have been a few widely reported large-scale layoffs. More than 12,000 workers were fired from the Belorussian railroad system in 1985 and 1986. The experiment was then extended to several other railroads and subway lines, with the loss of an additional 100,000 or more jobs. This was predicated in part on an earlier experiment from the 1960s when several hundred workers were fired from the Schkino chemical plant.

PUNCH

But even in the railroad and chemical-factory examples there is often more show than substance. The Soviets call it *pokazuha*, and it can best be described by recalling the newspaper announcements that more than 60,000 bureaucrats in the Moscow ministries and the state planning organization would be released by 1990. After considerable grumbling, the report was quickly amended to only 38,000. Now some wonder if in the end there will be any meaningful reduction at all.

What has happened is that while members of the ministries may actually lose their present jobs, the result in terms of improved productivity are insignificant, if not actually diminished. To generate support for the process, those who are not released are promised that they will be able to share the wages of their former colleagues. Thus the total wage bill will remain much the same. But it turns out that, as often as not, productivity actually suffers. The reason is that those released, particularly from white-collar jobs, generally seem to end up doing much the same thing that they were doing before.

In some instances, as in the Ministry of Finance and Gosplan, a new institute was set up, in part for the specific purpose of absorbing those who were fired. Far from being improved, productivity actually suffers. There are now two payrolls to pay—not a reduced one. It is a bit like playing musical chairs—except that, instead of reducing the number of chairs, the chairs are increased.

Since we sometimes have difficulty reducing the size of the work force in the United States, particularly within government agencies, the fact that the Soviet process is not proceeding smoothly should not surprise us.

Soviet economists, however, are particularly concerned about the lack of an infrastructure to handle the new task. In part this is a consequence of the Soviets' insistence, at least until recently, that there was no such thing as unemployment in the Soviet Union. If it did not exist, why do anything to cope with it?

Soviet employment offices were officially created in 1987, but they never took on any meaningful function. Thus the Soviets now find themselves ill prepared to handle the relocation process that sooner or later they will have to undergo. For example, they have no computer base listing available jobs, and no facilities for retraining. Moreover, moving from city to city in the Soviet Union is not an easy process. Police permits must be obtained, and there is no such thing as United Van Lines or U-Haul. Clearly this will have to change.

Some Soviet spokesmen insist that finding alternative jobs will not be difficult. After all, there is an enormous shortage of labor. Those who are fired have ample alternatives. But what these Soviet observers fail to realize is that once Soviet enterprises find themselves forced to take lower productivity seriously, those unfilled jobs will disappear. Then the system will indeed begin to become more productive. What is uncertain, however, is whether or not the system and the leaders will survive such a bold upheaval.

Marshall I. Goldman is a professor of economics at Wellesley College and the associate director of the Russian Research Center at Harvard.

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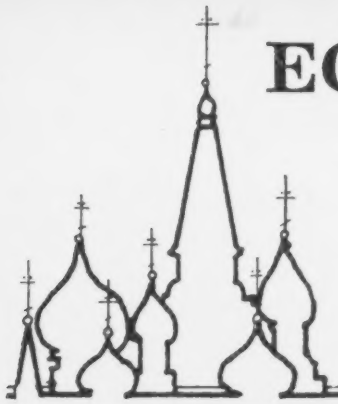

ECONOMIC NEWSLETTER

Russian Research Center
Harvard University

Volume XII, No. 8
April 2, 1988

INDUSTRIAL PRODUCTION FIGURES FOR JAN-FEB 1988

Product	Produced in Jan-Feb 1988	Jan-Feb 1988 as % of 1987
Electricity (billion kw hrs)	314	104
Petroleum (million tons)	103	103
Natural Gas (billion meters^3)	130	109
Coal (million tons)	133	103
Steel (million tons)	27.0	103
Fertilizer (million tons)	6.1	104
Metal-cutting tools (thousand units)	3.3	104
Robots	*	*
Computer tech. (million rubles)		
Tractors (million hp)	8.8	104
Paper (million tons)	1.1	107
Cement (million tons)	22.7	104
Meat (million tons)	2.0	101
Margarine (thousand tons)	280	104
Watches	*	*
Radios	*	*
TV sets (million units)	1.5	128
Automobiles (thousand units)	215.5	100.4

* not published

Source: Ekonomicheskaia gazeta, No. 12, March 1988, p. 8.

LIVESTOCK HERDS (Thousand head)

Herd	03/01/87	03/01/88	1988 as % of 1987
Cattle	96.1	95.1	99
Cows	28.9	28.6	99
Hogs	60.3	58.6	97
Sheep & Goats	123.4	122.4	99
Chickens	751.6	770.5	102.5

INDUSTRIAL PRODUCTION FIGURES FOR JANUARY-FEBRUARY 1988

On the surface the Soviet economy seems to be showing some signs of vigor. It is a bit hard to tell because the Soviets have taken to publishing figures they don't normally release, while at the same time holding back the publication of figures they normally do release. Moreover, the weather this year is reason-ably normal, whereas in January and February 1987, it was unduly cold. Taken as a whole, or at least taking what is made available, the industrial situation does seem to show some improvement.

One other consideration, of course, is that February 1988 was leap year, so there was one more work day, but the overall trends seem to go beyond just that difference.

One of the most impressive changes is in the petroleum industry. Soviet statistics indicate that petroleum output increased by 5% in February 1988 compared to February 1987. For the two months as a whole, production is up 3%. However, the growth is particularly striking in February. In the same way, electricity output was up 8.5% on a February to February basis, gas output was up 10%, and coal output increased 5.5%. These all exceeded the increase for the whole two month period and indeed may be the result of that extra work day.

It should also be noted that four hundred additional factories are now working with quality inspectors,

but the impact does not seem to be as great, or at least as great among those factories listed. Some of the industries that were having trouble last year have not reported their output for the last two months.

LIVESTOCK HERDS CONTINUE TO DECREASE

The Soviets have not been publishing the size of their livestock herds on as regular a basis as they have in the past. This may reflect the fact that they are a bit concerned about the drop in the size of the herds. Despite the fact they are moving into the contract responsibility system in agriculture and that peasants are now allowed to subcontract with the collective farm to tend its livestock, the size of the herds has dropped in every instance except for chickens. The drop is not all that serious for the most part, down usually by 1% or slightly more, except in the case of the hog herd, which is down 3%. That is a bit of a puzzle and continues undoubtedly to be reflected by the fact that meat supplies generally seem tighter than ever before, even though it is reported that meat output for the two month period is up by 1%.

JOURNALIST BRIEFING FOR THE MAY SUMMIT

May 2, 1988
Harvard Faculty Club

As we have done in the past, the Russian Research Center will sponsor a one-day briefing for journalists before the Moscow summit. In conjunction with the Nieman Foundation and the Joan Shorenstein Barone Center for Press, Politics, and Public Policy, we will hold a session entitled, "The Moscow Summit," on May 2nd at the Harvard Faculty Club. This should provide enough lead time before the actual meeting in Moscow, which has been announced for May 29 through June 2. This will be the first conference in which we have joined forces with the Barone Center. The application form and program are included in this mailing. If you would like to register by telephone, call Catherine Reed, (617) 495-4038

RUSSIAN RESEARCH CENTER ORGANIZES EXCURSION TO THE USSR

PERESTROIKA AND *GLASNOST'* IN THE SOVIET UNION

The Russian Research Center is organizing a working excursion to the Soviet Union. The purpose of our trip is to familiarize participants with the current state of economic reforms being implemented by General Secretary Gorbachev. Unlike the usual tourist visit, we will combine some sightseeing with a four-day series of professional meetings in Moscow.

Briefings and discussion sessions will be provided throughout the trip. Topical meetings have been scheduled with some of the leading Soviet proponents and implementors of the reform. To date we have formal commitments from the following Soviet participants: Academician Leonid Abalkin, Director, Institute of Economics, USSR Academy of Sciences, Dr. Andrei Anikin, Institute of World Economics and International Relations, Academician Oleg T. Bogomolov, Director, Institute of the World Socialist System, USSR Academy of Sciences, Dr. Rayamundas Rayatskas, Lithuanian Academy of Sciences, and Dr. Nikolai Shmelev, Institute of Economics, USSR Academy of Sciences. American participants will include Ambassador Jack Matlock, US Ambassador to the USSR, Consul General Richard Miles, US Consul General of Leningrad, H. Michael Mears, US Trade Representative to the USSR, Ross Wilson, Economic Officer of the US Embassy, Philip Taubman and Felicity Barringer, the New York Times, and Frederic Drake, Manager, General Electric, Moscow.

The trip is scheduled to leave the United States on Thursday, September 1 and return on Saturday, September 10. We have purposely planned this trip around the Labor Day weekend in order to reduce the number of working days spent outside the USA.

The trip will begin with three days in Leningrad, where there will be some of the more traditional sightseeing and entertainment, and will then move to Moscow for the formal meetings, which will be broken up by a Wednesday trip to a historic city such as Suzdal. Evening cultural per-formances will be arranged as well.

This is a trip designed to provide our participants with the type and degree of exposure that those of us doing research on the Soviet Union normally experience. The expectation is that the trip will be led by Marshall Goldman and Catherine Reed of the Russian Research Center. Travel options are as follows:

Business class, dbl occupancy:	$6,000 per person
Business class, single room:	$6,500 per person
Economy class, dbl occupancy:	$5,000 per person
Economy class, single room:	$5,500 per person
Land only (you arrange your air travel independently):	
for double occupancy:	$3,500 per person
for single occupancy:	$4,000 per person

Two thousand dollars of the fee is considered a charitable contribution to the Russian Research Center. There will be room for 24 people, and we already have several reservations. If you are interested, please write or call Catherine Reed for more information.

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CENTERPIECE

From Soviet specialists, somber view

By Charles A. Radin
Globe Staff

HARRIMAN,N.Y. – A burly analyst from the Central Intelligence Agency leans across the breakfast table and gives a couple of prominent scholars in Soviet affairs a piece of his mind. Nicely. It's just, he says, that they're studying the wrong thing.

"You spend too much time poring over small differences" in Pravda reports while what Soviet leader Mikhail S. Gorbachev "is concentrating on is his 20-minute spots on the evening news," the CIA man says amiably. "TV is Gorbachev's medium. He has already alienated the elites" who react to nuances in the newspaper.

"He is speaking over their heads" to the general public.

"Hmmmm . . .," replies the professor, softly exhaling a perfect smoke ring. And a conversation begins, with each displaying the deep familiarity with subject born of frequent travel and top-quality intelligence.

The grand marble room around them, in a magnificent old house wrapped in fog, atop a small mountain near New York City, is abuzz with similar talk. State Department, military, corporate and academic specialists on the Soviet Union were gathered over the weekend, at the estate of the late Ambassador W. Averell Harriman, for the annual exchange of views on the other superpower sponsored by the Soviet studies centers of Harvard and Columbia.

In general, such sessions provide some insight into how American elites find their areas of consensus – and clarify their differences – on matters of vital national concern.

In specific, the meetings that concluded here yesterday yield a more sober and pessimistic view of the Soviet future than is held by great numbers of Americans who currently are impressed with the potential of Gorbachev, delighted with the sudden explosion of cultural and intellectual exchanges, and relieved at the easing of tension between the superpowers.

For while few of the specialists would have agreed with the CIA man that they were studying the wrong thing, almost all agree that Gorbachev has alienated major Soviet elites and that his program for the Soviet Union, if not his position at the top, is in jeopardy.

Glasnost – the policy of encouraging greater openness in Soviet society – has evoked a great response, they said, but the larger programs of democratizing, rejuvenating and restructuring the Soviet Union of which the new openness is part are hardly off the ground.

"One year ago, the people backing Gorbachev were very optimistic," said Jack F. Matlock, US ambassador to the Soviet Union and opening speaker at the conference. "Basically, they were saying, 'We're on the right track. Everything will be OK, and soon.' Today the mood is much different. They have experienced opposition at every step."

Matlock – and many others here – stoutly disputed the spreading common wisdom that the process of opening the Soviet Union has achieved momentum that would make it difficult to reverse.

"It could be reversed very quickly, almost easily, by replacing maybe 10 editors," Matlock said. "I think there is danger in euphoria."

There certainly was no euphoria in this group of three score Soviet specialists. Through two days of on- and off-the-record presentations ramrodded by Marshall Goldman, the Wellesley College economics professor who is codirector of the Russian Research Center at Harvard, they assembled this composite view:

Glasnost – the policy of openness that has so excited American hopes – is but a part of Gorbachev's plan for democratizing Soviet society; the democratization effort, in turn, is at the center of his ideas for perestroika – restructuring – of the country.

Glasnost within the Soviet Union has greatly reduced some institutions' power but creation of new, more democratic institutions has lagged behind, and the Soviet economy, which is both the motive for and the would-be beneficiary of the program of change, has hardly changed at all. Some analysts said it has grown even weaker under the burdens of low prices for raw-materials exports and continued production of manufactured goods unsuitable for export by outmoded Soviet factories.

"That democratization has outpaced reinstitutionalization is a fact of enormous political significance," University of Wisconsin professor Mark Beissinger, a fellow at the Harvard center, asserted. "The Soviet Union today is in a crisis of political order."

Columbia professor Richard Ericson said that "there actually has been little economic change. Financial rewards and activities still are unrelated to economic activity." He said that "unless something really drastic is done, there is very little hope for improvement in the next five to eight years."

And it is on that ground that many of the specialists believe Gorbachev's program – but probably not Gorbachev himself – will disintegrate.

Goldman, widely known for his pessimistic assessment of the Soviets' chances to reinvigorate their country, said Gorbachev has no more than a couple of years to begin showing domestic improvements to his people, and even those who think the crunch is somewhat less immediate for the Soviet leader do not believe major strides will be made anytime soon.

Professor Marshall D. Shulman, a former adviser to the State Department on the Soviet Union and founding director of the Columbia center, offered the counterpoint.

"Gorbachev's success has to be evaluated on four separate levels," he asserted. "The economic issues are indeed the most difficult. In domestic politics, he is doing very well. In foreign policy, there is movement in a positive direction. In military affairs, there are signs of movement.

"Gorbachev has been pragmatic. He is not going to break his lance on a vain cause. He is a politician and he is looking for what the traffic will bear."

Given the needs and problems of the Soviets, congressmen in attendence embraced a carrot-and-stick approach to dealing with them and expressed confidence at ability of American politicians to know what US stands would produce desired Soviet responses.

Matlock spoke strongly against this approach. "Should we cooperate with the Soviet Union to make perestroika work? I don't think it's a question we should ask . . . . We can never determine the impact" of direct efforts to influence Soviet affairs.

The CIA man took it all in, but declined to give his own view on Gorbachev near the meeting's end.

"There are mysteries and there are secrets, and you can really go wrong if you get mixed up about which is which," he said. "Now my business is to turn mysteries into secrets – but this is still a mystery."

Ambassador Jack F. Matlock: "One year ago, the people backing Gorbachev were very optimistic. . . . Today the mood is much different."

Mikhail S. Gorbachev

Marshall Goldman: Gorbachev has no more than a couple of years to begin showing domestic improvements to his people.

RUSSIAN RESEARCH CENTER
NIEMAN FOUNDATION
JOAN SHORENSTEIN BARONE CENTER ON PRESS, POLITICS AND PUBLIC POLICY
of Harvard University

THE MOSCOW SUMMIT

May 2, 1988
Harvard Faculty Club

9:45 a.m. **SETTING THE STAGE FOR MOSCOW**

Adam B. Ulam, Director, Russian Research Center, Harvard University
"Three Years in Office: How Gorbachev Brought the USSR to the Table"

Tom Simons, Assistant Secretary for Eastern Europe and the Soviet Union, U.S. Department of State
"Reflections on Past Meetings Between Ronald Reagan and Mikhail Gorbachev"

Richard Pipes, Baird Professor of History, Harvard University
"Arms Control Agreements in the Historical Context: Do They Lessen the Threat?"

11:30 a.m. **THE PROSPECTS FOR MOVEMENT IN ARMS CONTROL**

Joseph Nye, Director, Center for Science and International Affairs, JFK School of Government, Harvard University
"US Expectations for an Arms Control Agreement: What is on the Table and Why?"

Mark Kramer, Rukin Fellow, Center for International Affairs, and Fellow, Russian Research Center, Harvard University
"The Long-Term Costs and Benefits of a START Agreement: Who Benefits from What?"

1:00 p.m. LUNCH

2:15 p.m. **OUT OF THE LIMELIGHT: IMPLICATIONS OF THE SUMMIT IN OTHER AREAS**

Lubomyr Hajda, Fellow, Russian Research Center, Harvard University
"Nationalist Dissent and Political Stability: Ethnic Minority Unrest in the USSR"

Mark Beissinger, John M. Olin Faculty Fellow, Russian Research Center, Harvard University
"Molding the Leadership in His Image: The Success of Gorbachev's Cadre Policy"

Marshall I. Goldman, Associate Director, Russian Research Center and Professor of Economics, Wellesley College
"The Importance of the Moscow Summit for Gorbachev's Program of Perestroika"

3:45 p.m. **PUTTING IT IN PERSPECTIVE -- THE MEDIA'S ROLE AT THE SUMMIT**

Marvin Kalb, Director, Joan Shorenstein Barone Center on Press, Politics and Public Policy, JFK School of Government, Harvard University

Howard Simons, Curator, Nieman Foundation, Harvard University

4:45 p.m. ADJOURN

RUSSIAN RESEARCH CENTER
NIEMAN FOUNDATION
JOAN SHORENSTEIN BARONE CENTER ON PRESS, POLITICS AND PUBLIC POLICY
of Harvard University

THE MOSCOW SUMMIT

May 2, 1988
Harvard Faculty Club
20 Quincy Street
Cambridge, MA 02138

Name: _____

Title or Position: _____

Company or Publication: _____

Mailing Address: _____

City: _____ State: _____ Zip Code: _____

Business Phone ( ) _____ Home Phone ( ) _____

Registration Fee:

$200

Registration fee must be paid in advance. All checks should be made payable to **The Russian Research Center**. Russian Research Center affiliates are invited to attend the conference, but must register in advance.

Hotel Reservations:

Please indicate below if you would like us to make hotel reservations for you. A letter of confirmation will be mailed to you indicating the location and the nightly rate. The Russian Research Center will not guarantee rooms for participants.

Date (s): _____

Single ( ) Double ( )

Return application and registration fee to:

Catherine Reed
Russian Research Center
1737 Cambridge Street
Cambridge, MA 02138

For information:

(617) 495-4038

5/17/88 U2030-1

ECONOMIC NEWSLETTER

Russian Research Center
Harvard University

Volume XII, No. 9
May 6 ,1988

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST QUARTER OF 1988

Product	1st Quarter 1988	1st Quarter 1988 as a % of 1st Quarter 1987
Electricity (billion kw hrs)	468	103%
Petroleum (million tons)	156	102
Natural Gas (billion meters^3)	197	108
Coal (million tons)	202	103
Steel (million tons)	41.0	102
Fertilizer (million tons)	9.3	104
Metal-cutting tools (thousand units)	5.3	102
Robots	*	*
Computer tech. (billion rubles)	1.4	116
Tractors (million hp)	13.5	100.9
Paper (million tons)	1.6	105
Cement (million tons)	34.4	103
Meat (million tons)	3.1	102
Margarine (thousand tons)	433	103
Watches (million units)	18.2	108
Radios (million units)	2.0	103
TV sets (million units)	2.4	122
Automobiles (thousand units)	331	99.5

* not published

Source: Ekonomicheskaia gazeta, # 18, 4/88, p. 20

LIVESTOCK HERDS (million head)

Herd	04/01/87	04/01/88	1988 as % of 1987
Cattle	98.2	96.7	98.4%
Cows	29.2	28.8	98.6
Hogs	59.9	58.1	96.99
Sheep & Goats	134.8	135.7	100.6
Chickens	785.5	793.7	101.0

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST QUARTER OF 1988

As usual the last few months, the production figures contain some good news and some bad news for Gorbachev. The good news is that the overall reported figure for produced national income rose 4%. That is above what it had been earlier. Similarly, industrial production is reported to have risen 5%.

However, as promising as the combined figures are, the individual production figures suggest that there are recurring production problems in the system. March was not a particularly good month. For example, oil production in March 1988 was the same as it was in March 1987, despite the fact that the statistics report that oil production for the whole quarter was up 2%. That increase is due primarily to production in January and February. Even more striking, electricity generation rose by only 1% in March, while for the whole quarter it rose 3%. The gas production increase was a little better -- it rose 6% on a month by month basis, compared to an overall increase of 8%. Coal production rose 3% on both a monthly basis and a yearly basis. However, steel production on a March by March basis was actually down 7%, although for the quarter as a whole, it was up 2%. That suggests some very serious difficulties. Similarly, cement

Gorbachev's main concern, of course, is to improve the availability of consumer goods. Here again the results are mixed. While sales of meat rose 3%, sale of fish was constant. More disturbing was the fact that sale of potatoes to the population through state stores was down 5% from what it had been the preceding year, which was also not a good year, and that vegetable sales were down by 4%. Even more striking is the fact that fruit and citrus product sales were down by 24%. Sales of automobiles were down 4%. Conversely, the sale of gasoline was up by 30%. In other words, the picture is quite mixed, but in the areas where it counts, in terms of basic food products, there still is very little to show. Following the bad year of 1987, this suggests that Gorbachev still has lots of problems in front of him.

LIVESTOCK HERDS

As the figures indicate, the size of the livestock herds on April 1, 1988 fell relative to what it was on April 1, 1987. For example, the stock of cattle fell by 2%, cows by 1.4%, pigs by 3%. In contrast, the chicken flocks rose by 1% and sheep and goats by 27%. If Gorbachev is to improve food availability, he is going to have to do more about building up the livestock herds. There is a long road ahead.

RUSSIAN RESEARCH CENTER PROGRAM IN THE USSR

We are pleased to announce that the response to the Center's trip to the USSR this fall has been overwhelming. The original thirty slots available have been filled, and we have started a waiting list, just in case some positions open up. We will continue to accept names for the list, and if you would like information about the trip, please contact Catherine Reed, Russian Research Center, 1737 Cambridge Street, Cambridge, MA 02138 (617)495-4038.

FOREIGN EXCHANGE RATES

Currency (per 100)	Rate on 04/06/88
Austrian shilling	5.06
English pound	111.42
West German mark	35.64
Italian lira	.481
U.S. dollar	58.96
French franc	10.51
Swiss franc	43.37
Japanese yen	.0477

BALANCE OF TRADE FIGURES

The Soviets have released the balance of trade figures for 1987. There are some very striking developments. The Soviets increased their exports by over a billion rubles. Given the fact that petroleum has traditionally constituted the major export commodity, and also given the fact that the price of petroleum is low, that suggests that the Soviets increased the volume of their exports. They had been doing that recently as we noted in an earlier newsletter this year.

Equally striking is the fact that they reduced their imports. Imports fell by 1 billion rubles in their dealings with the West European countries and Japan. Because they also reduced their grain imports, particularly from the USA, Canada, and Australia, their total imports fell by 1.5 billion rubles. That is the equivalent of about $2 billion at the arbitrary exchange rate established by the Soviets. As a consequence, they ended up with a trade surplus in the hard currency countries. The same trend follows if Finland is included.

These developments are very suggestive. They indicate that Gorbachev has not been relying on imports from the hard currency world to provide more machinery or consumer goods. Nor does it look like they have been relying much on increased borrowing to finance all this. If anything, they seem to have put prime emphasis on reducing the trade deficit rather than providing more goods for either future production or more consumption. Given the fact that there is a lot of grumbling within the Soviet population over consumer good shortages, this does seem to be a most unusual strategy.

The year-end figures offer an opportunity to reflect on the very significant change in export and import flow. For example, between 1984 and 1987, Soviet exports dropped by over 6 billion rubles. At the same time, imports dropped by slightly more than 3.3 billion rubles. In large part that is a reflection of the drop in the price of petroleum, but it suggests that the Soviets have also been cutting back in other ways as well.

BALANCE OF TRADE 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987
(Millions of Rubles)

	EXPORTS FROM THE USSR									IMPORTS TO THE USSR								
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1979	1980	1981	1982	1983	1984	1985	1986	1987
Austria	442	580	854	675	566	761	805	540	431	368	396	507	535	787	891	859	852	600
Belgium	533	842	747	1032	991	1198	858	627	738	286	383	450	573	611	501	581	422	366
Gr.Brit	1094	859	645	813	1185	1393	1218	1274	1586	811	953	858	752	632	819	684	515	524
Greece	180	409	538	533	533	582	594	219	242	65	92	100	122	155	102	134	65	71
Denmark	301	261	252	300	290	334	271	136	137	72	80	208	64	65	115	127	131	76
Spain	152	251	274	159	300	333	235	124	498	144	152	375	166	250	307	353	173	159
Italy	1292	2111	2484	2821	2998	3156	2468	1581	1804	863	934	1002	1222	1436	1325	1325	1474	1686
Nthlnds	903	1027	1019	1505	1224	1612	987	576	781	243	361	458	359	489	276	313	245	232
Norway	87	49	52	93	80	129	104	52	64	51	79	96	72	102	80	73	69	62
Germany	2218	3096	3635	4065	4067	4536	4251	2879	2492	2485	2989	2703	2913	3360	3376	3243	2968	2676
France	1426	2242	2525	2228	2422	2447	2174	1541	1518	1198	1510	1665	1268	1728	1777	1603	1130	1090
Swtzlnd	314	445	331	533	510	541	384	287	344	276	403	497	411	345	410	567	456	540
Sweden	554	355	291	409	652	563	492	298	427	223	322	347	345	255	272	306	245	225
Japan	944	950	817	757	825	840	928	980	973	1661	1773	2213	2926	2176	2054	2287	2205	1628
SUB TOTALS	10528	13568	14610	15988	16683	18469	15769	11114	12035	8781	10464	11516	11771	12429	12358	12455	10950	9935
Sub-Balance of Trade										+1747	+3104	+3094	+4217	+4254	+6111	+3314	+164	+2100
Argntna	25	30	31	28	26	26	62	53	41	289	1162	2372	1265	1300	1104	1230	192	417
Brazil	20	22	16	180	107	95	70	30	46	160	253	534	416	591	373	380	236	252
U.S.A.	350	151	183	155	331	306	326	313	279	2487	1352	1662	2072	1570	2829	2376	1146	919
Canada	32	30	50	21	24	19	18	10	47	453	972	1377	1378	1278	1403	949	624	449
Australia	5	6	11	14	12	22	14	8	12	393	775	538	510	404	481	532	509	348
N Z	3	3	7	8	6	8	4	5	6	114	167	168	230	179	49	87	89	68
TOTAL	10963	13810	14908	16394	17189	18945	16263	11533	12466	12677	15145	18167	17642	17751	18597	18009	13746	12388
Balance of Trade										-1714	-1335	-3259	-1248	-562	+348	-1746	-2213	+78
Finland	2023	2024	2290	2396	2483	2421	2299	1595	1707	1865	1865	2723	2798	2690	2312	2687	2378	2036
	12986	15834	17198	18790	19672	21366	18562	12138	14173	14542	17010	20890	20440	20441	20909	20696	16124	14424
Balance of Trade with Finland included										-1556	-1176	-3692	-1700	-769	+457	-2134	-2996	-251

Wide Bitterness at Gorbachev's Glasnost Shouts Through

By MARSHALL I. GOLDMAN

Much as we have become accustomed to surprises in the era of *glasnost*, the outspokenness of the letter that appeared in Sovietskaya Rossiya on March 13 was unexpected.

This unabashed criticism of *glasnost* and the political changes taking place in the Soviet Union—and thus, by extension, an outright attack on Soviet leader Mikhail S. Gorbachev himself—genuinely reflected the bitter resentment of a large section of the Soviet population. Signed by Nina Andreyeva, a chemist from a Leningrad technical institute, it lamented the fact that *glasnost* has gone beyond the original agenda and now is undermining almost everything the Soviet people have come to hold sacred. Heroes are now being vilified; what was clean and pure has become dirty and corrupt.

Andreyeva expressed shock that, among other things, one of her students had the audacity to ask a speaker from the military about "political repressions in the (Soviet) army." What, she wanted to know, has the Soviet Union come to when revered institutions like the army are attacked this way? Others, she hears, imply that the Soviet Union has suffered from "terrorism," "spiritual slavery," "universal fear" or "a dominance by boors in power." There now are calls for "pluralism." No wonder that she finds her students succumbing to "nihilism," "ideological confusion and a loss of political bearings."

"He's just been doing the revised Stalin period at school."

PUNCH

The letter was unusual, not only because an important newspaper that speaks for the Communist Party and the Russian republic should devote a full page to it, but because many of the sentiments it contained had a familiar ring.

Attacks on pluralism and undue concern over repression were sounded in an August speech by Yegor Ligachev, the No. 2 in the Politburo, as well as a September speech by V. M. Chebrikov, the head of the KGB. Both men bemoaned the fact that it had become fashionable to criticize Josef Stalin and the 1930s. As Ligachev put it, "Those were the years when the Soviet Union reached second place in terms of industrial volume of output, conducted collectivization of agriculture and scaled unprecedented heights in the development of culture, education, literature and art."

In her March letter, Andreyeva reiterated Ligachev's complaints and—using virtually identical language—protested that all of this comes from attacks on the "personality cult" and that "persistent demands for repentence are being made of Stalinists." "Repentence," of course, is also the title of a widely shown movie that attacks Stalin. The fact that the movie has been put in such broad circulation is seen as a Gorbachev initiative to generate criticism of Stalin.

But attacks on Stalin seem to delineate as much as anything the differences between the reformers and the anti-reformers. Thus Andreyeva writes that "today hardly anyone is disturbed by the personality qualities of Peter the Great." During his rule, "Russia became a great European power." Some day the same will be said of Stalin, she notes, so why the self-hating?

Andreyeva implies that much of the initiative for this campaign comes from foreigners and from Soviet "cosmopolitans," a word that in the last days of Stalin came to mean a Jewish-inspired cabal. Andreyeva uses it in the same context. Moreover she finds it hard to believe that no one else seems critical any more of the kulaks (successful farmers until collectivization), NEP-men (private businessmen under Lenin's New Economic Policy) and for that matter capitalism itself. One of her students went so far as to insist "that the class struggle is supposedly an obsolete term, just like the leading role of the proletariat." No wonder Andreyeva is disoriented.

Andreyeva's letter was finally rebutted by an equally long article on April 15 in the even more authoritative Pravda. But the Pravda reply indicates how far the Soviet Union has to go before there is real *glasnost* in the Soviet Union. It took three weeks for the reply to appear. In the interval, there was panic among those in favor of reform.

Why no answer? Gorbachev was in Yugoslavia for part of the time and no one else was brave enough to counterattack. In the meantime the Andreyeva letter was widely reprinted in the Soviet Union and in East Germany, the Eastern European country most hostile to *glasnost*. In the Soviet Union, study sessions were organized to discuss the correctness of the Andreyeva view. The Leningrad party organization was particularly enthusiastic, and issued a special TV documentary reporting mass support for the Andreyeva letter.

As disturbing as the Andreyeva letter was, there is no doubt that it represents the feelings of a large segment of the Soviet population. So in order to assure that everyone knew who had won the battle, Sovietskaya Rossiya was forced to acknowledge defeat and reprint the Pravda attack on the Andreyeva letter.

Understandably, supporters of reform needed a sign that *glasnost* would continue. But it should have been enough for Pravda to simply print a response to the Andreyeva letter. The fact that no one felt brave enough to respond until Gorbachev himself took the initiative, and that Sovietskaya Rossiya had to print a rebuttal, suggests that *glasnost* is not deeply rooted. In fighting for such a policy of openness, it seems as if Gorbachev is not just the tip of the iceberg, but the whole iceberg.

Marshall I. Goldman is a professor of economics at Wellesley College and associate director of the Russian Research Center at Harvard University.

LOS ANGELES TIMES, APRIL 25, 1988/PART II

6/13/88 U2030-1

ECONOMIC NEWSLETTER

Russian Research Center
Harvard University

Volume XII, No. 10
June 3,1988

INDUSTRIAL PRODUCTION FIGURES FOR JANUARY-APRIL 1988

Product	Jan-April 1988	Jan-April 1988 as a % of Jan-April 1987
Electricity (billion kw hrs)	605	102%
Petroleum (million tons)	208	102
Natural Gas (billion meters^3)	260	107
Coal (million tons)	268	103
Steel (million tons)	54.6	102
Fertilizer (million tons)	12.5	103
Metal-cutting tools (thousand units)	7.2	102
Robots	*	*
Computer tech. (billion rubles)	2.0	115
Tractors (million hp)	17.9	100.8
Paper (million tons)	2.1	104
Cement (million tons)	46.0	103
Meat (million tons)	3.9	102
Margarine (thousand tons)	578	103
Watches (million units)	24.4	106
Radios (million units)	2.6	99.6
TV sets (million units)	3.2	118
Automobiles (thousand units)	443	99.2

* not published

Source: Ekonomicheskaia gazeta, # 21, 5/88, p. 13

Commentary on Soviet production figures will return in the next issue of the Economic Newsletter

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE

The Soviet trade figures with Eastern Europe indicate the Soviets are putting increased pressure on Eastern Europe. This is reflected by the fact that Soviet exports to the East European bloc in 1987 in ruble terms fell by 1.5 billion rubles. That may reflect in part the drop in the price of petroleum, but it probably goes beyond that, and suggests that there is also a drop in actual volume of exports from the Soviet Union. In addition, the Soviets have been importing more from Eastern Europe. As a consequence, the Soviets now actually have a slight trade deficit with Eastern Europe, whereas as indicated by the table, they have been running a significant trade surplus until 1987. These imports are obviously helping the Soviet Union with both consumer goods and machinery. In other words, imports from Eastern Europe in 1987 rose by 1.2 billion rubles. That in part offsets the drop in imports from the hard currency bloc that was noted in the May newsletter.

RUSSIAN RESEARCH CENTER PROGRAM IN THE USSR

Due to the overwhelming interest in our September program in the Soviet Union, we have now instituted a waiting list for this year's trip. If you would like information about the itinerary, contact Catherine Reed, Program Coordinator, Russian Research Center, 1737 Cambridge Street, Cambridge, MA 02138.

FOREIGN EXCHANGE RATES

Currency (per 100)	Rate on May 4
Austrian shilling	5.03
English pound	111.21
West German mark	35.42
Italian lira	.476
U.S. dollar	59.46
French franc	10.42
Swiss franc	42.52
Japanese yen	.0476

RUSSIAN RESEARCH CENTER NEWSLETTER ©1988

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE
(in million rubles)

	Exports from U.S.S.R.								Imports to U.S.S.R.							
	1980	1981	1982	1983	1984	1985	1986	1987	1980	1981	1982	1983	1984	1985	1986	1987
Bulgaria	3660	4375	4885	5511	6124	6435	6788	6276	3439	3697	4288	5053	5608	6040	6191	6552
Czecho-slovakia	3648	4382	5048	5872	6591	6813	6947	6777	3536	4105	4732	5420	6017	6587	6556	6907
GDR	4873	5526	6420	6798	7481	7652	7880	7636	4327	5155	5776	6596	7367	7553	7128	7093
Hungary	2982	3307	3707	4058	4321	4560	4678	4600	2757	3300	3746	4007	4434	4850	4873	5080
Poland	4406	4931	4813	5274	6069	6517	6814	6542	3596	3221	4097	4787	5297	5525	6128	6329
Romania	1350	1779	1424	1640	1807	1949	2823	2539	1441	1673	1683	1665	1755	2277	2415	2347
	20919	24300	26297	29153	32393	33926	35930	34370	19096	21151	24322	27528	30478	32832	33291	34408
Balance of Trade									+1823	+3149	+1975	+1625	+1915	+1094	+2639	-38

*Note switch in balance

Soviets Venture Not Far Enough

By MARSHALL I. GOLDMAN

After a cautious beginning, Mikhail Gorbachev is introducing economic reforms that mark a radical break with Marxist ideology. For example, for more than 70 years the Soviet Ministry of Foreign Trade monopolized foreign-trade activity. Now Mr. Gorbachev not only has abolished the ministry, but he has authorized the creation of joint ventures with capitalists. Admittedly no foreigner can own more than a 49% share, but these joint ventures can operate on Soviet territory. That means they have the power to hire and fire Soviet workers, interact with the Soviet economy, and import and export on their own.

Foreigners have had no such powers since the 1920s, when Stalin closed down factories run by U.S. businessmen such as Armand Hammer and Averell Harriman. Mr. Gorbachev's need for such a bold reversal is clear. He has come to realize that the Soviet Union has not been able to obtain full productivity from the technology it purchased from foreign manufacturers.

Surveys of Western businessmen who have seen the equipment they have sold to the Soviet Union in operation indicate that the Soviets derive, on average, only 60% of the productivity that machinery generates in the capitalist world. Once purchased, the imported machinery is seldom if ever upgraded or diffused throughout the rest of the Soviet economy. Finally, by refusing to allow foreigners to invest in the Soviet Union, the Soviets have had to pay for all this equipment themselves. This has increased their hard-currency debt.

The return of joint ventures should do much to change all of this. Ventures alone will not be enough to ensure the success of Mr. Gorbachev's *perestroika*, but if allowed to operate properly, they should at least make it possible to increase the productivity of the technology that is imported.

For example, officials of Combustion Engineering, the first major American company to conclude a joint-venture agreement, estimate that wherever used, its equipment will make possible an immediate 20% to 25% increase in petroleum and petrochemical production. Honeywell and Occidental Petroleum, the second and third American companies to form joint ventures, estimate their equipment will have a similar impact on Soviet fertilizer and chemical output.

What is surprising is not that there is such great potential, but that so few Western companies have signed formal agreements. Even though the joint-venture law has been on the Soviet books for almost a year and a half, only about 35 companies have completed accords. Moreover, the vast majority of ventures involve a minimum capital investment. Some are putting in as little as a million dollars. By contrast, there are more than 9,000 joint ventures operating in China. Admittedly, the Chinese laws were passed several years earlier, and many Chinese ventures still are not profitable.

Yet the contrast between the joint-venture process in China and the Soviet Union suggests that the Soviet ventures probably will never be as important as Mr. Gorbachev would like them to be. Among other differences, in China there are no limits to the share a foreign company may own. Some Americans operate wholly owned subsidiaries in China. Most important, the Chinese joint ventures have been considerably more successful in finding ways to take profits out of the country.

The inability to convert the ruble earned inside the Soviet Union into exportable dollars is the main hurdle for most companies there. Soviet authorities almost always insist that all hard currency come from exports. But Soviet technology, even in joint ventures, is not normally up to world standards. The Chinese ventures solved these problems by producing very cheap labor-intensive products, such as textiles, toys and electronics. It is unlikely the Soviets will agree to allow foreigners to operate poorly ventilated, overcrowded factories, as they do in China, 10 hours a day, six days a week.

Unlike Lenin, who justified the return to foreign investment in the Soviet Union as one step backward, Mr. Gorbachev views joint ventures as a step forward. But to have an impact, he will have to go even further. The Soviets will have to relax ideological constraints even more. Western owners must be allowed more than a 49% share, and the barriers to the repatriation of profits must be relaxed. In addition, operating procedures must change. For example, Soviet authorities still have not found office space for Combustion Engineering's joint venture.

If Mr. Gorbachev continues to be bound by the ideological niceties, he may avoid attack by Soviet conservatives, but he will not attract the investors in the number and with the magnitude of investment he must if joint ventures are to make a difference. It is a choice between ideology and results. But without results, he may find that the ideology will not be worth preserving.

Mr. Goldman is an economics professor at Wellesley College and associate director of the Russian Research Center at Harvard, where he is organizing a joint-venture study project.

What's Behind This Amazing Turn?

Perestroika, but Also Reagan's Tenacity, Readiness to Negotiate

By ADAM B. ULAM

The two men will be meeting for the fourth time, and this occasion may well turn out to be the most significant—not only insofar as personal contacts between Ronald Reagan and Mikhail S. Gorbachev are concerned but also in the entire history of post-World War II encounters between Presidents of the United States and heads of the Soviet regime.

The background and circumstances of the Moscow summit meeting endow it with vast potential significance not only for the two countries but for the entire world as well. Two weeks before the meeting the Soviet army began evacuating Afghanistan—the first time in 40 years that the Kremlin has appeared ready to stop supporting a client communist regime by armed force and to risk its overthrow. Thus what has been a cardinal goal of American foreign policy at least since 1947—containment and even "rollback" of Soviet imperialism—finally seems to be in sight.

Equally weighty in its potential implications is the progress that both sides have made in synchronizing their views on control and reduction of nuclear arms. The treaty on intermediate-range nuclear forces may be ratified by the Senate by the time President Reagan steps down from Air Force One. The two leaders will undoubtedly pledge to intensify their efforts to reach an agreement on strategic nuclear weapons. There will be discussion and possibly agreements on a number of less momentous issues.

There are bound to be disagreements as well. The Soviets are unlikely to drop entirely their objections to the Americans proceeding with their "Star Wars" program. The Americans will urge their hosts to observe human rights and to allow freer emigration—something that even in the era of *glasnost* must lead to an argument.

Yet, barring something unexpected, the contentious questions will be handled through a dialogue rather than becoming the subjects of a confrontation. Nor should we think of the personal aspects of the summit as of secondary importance. It is of tangible political as well as symbolic significance that the most conservative among post-war American Presidents should be going to, and be respectfully received in, the capital of the country that he had once described as "the evil empire."

What has led to this amazing turn of events? Well, to some extent the requirements of *perestroika*. The efforts to impart new dynamism to the economy, to restructure Soviet society so as to remove the lingering effects of Stalinism and of the political malaise of the Brezhnev era, do call for a greater concentration on domestic issues and, hence, new and more extensive detente in East-West relations. And so does the Kremlin's desire to secure greater trade, infusion of technology and credits from the capitalist world. But, quite apart from such considerations, there were signs even antedating Gorbachev's ascent to power that some within the leadership felt that the Soviet Union was dangerously overextended insofar as its expansionist strivings were concerned. They urged retrenchment, as well as the need to lower the level of tension between the superpowers. And the present general secretary has been more emphatic and explicit than his predecessors were in maintaining that no efforts must be spared to avoid the danger of a nuclear confrontation, and that no margin of military superiority on either side could keep such a confrontation from having cataclysmic results for everyone.

In addition to such common-sense considerations, Gorbachev's opening toward the United States has also been influenced by political reasons. The general secretary's position has become quite vulnerable, as many within the Kremlin inner circle feel that he has carried his policy of *glasnost* to the point where its reverberations threaten the very foundations of the Soviet system. But much as Gorbachev may have become unpopular with some of his Politburo colleagues, they are less likely to try to overthrow him as long as he is personally involved in delicate negotiations with the United States and stands in the eyes of his own people, as well as the West, as the champion of peace and a general alleviation of international tensions. Successful "summitry" is then a kind of political reinsurance for Gorbachev.

Skeptics will question the utility of the Moscow meeting, as well as the likelihood of the present Soviet-American rapprochement's developing into a long-term detente. Indeed, it is unwise to conclude that the men in the Kremlin have now irreversibly abandoned their role as international mischief-makers and are firmly determined to cultivate their own garden.

On balance, however, there is room for cautious optimism. This optimism must be accompanied by the realization that much of the favorable development in East-West relations has been due to facts other than just a change of heart on the part of the Soviets. Whatever its mistakes in other areas, the present American Administration has in its stance *vis-a-vis* the Soviet Union displayed a sound combination of tenacity and readiness to negotiate. For all of Reagan's recent travails, he can congratulate himself that it was during his term of office that the Kremlin began to show readiness to reverse its previous policies of expansionism and attempted intimidation of the West. And so the prospects for peace and international stability will continue to depend not only on what happens in Moscow but also on America's ability to display the right proportion of firmness and conciliation in its policies.

Adam B. Ulam is director of the Russian Research Center at Harvard University and author of the just-released novel, "The Kirov Affair" (Harcourt Brace Jovanovich).

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ECONOMIC NEWSLETTER

Russian Research Center
Harvard University

Volume XII, No. 11
July 22, 1988

INDUSTRIAL PRODUCTION FIGURES FOR MAY, 1988

Thus far we have been unable to find production results for May, 1988. Usually the Soviets produce these figures monthly, although there was a time in 1979 when the figures were also not published. That was a sign that the Soviet Union was experiencing economic difficulties. The absence of the figures for May may indicate the same thing, or it may simply be that the Soviet newspapers have been so filled with copy on the Summit Meeting and the Party Conference that there was no room. The more likely answer is that it was the first alternative, that economic results have not been particularly encouraging. We do expect the economic results to come out for the quarter, and should be able to report in the August newsletter the more recent production results.

BALANCE OF TRADE FIGURES FOR THE FIRST QUARTER OF 1988

Based on the first quarter results, it looks like the Soviets have decided to rely more on imports than they did last year. While in their trade with Western Europe and Japan, the imports increased only slightly more than their exports, the big difference was that they increased their purchases from the United States. That was mainly food products, but imports from the U.S. increased by about four hundred million rubles. Similarly, they increased their imports from Finland by a substantial amount. As a consequence, their trade deficit, both in hard currency and with Finland, increased from what it had been for the first quarter in 1987; although by no means is the credit deficit as large as it was in 1985 and 1986. The major beneficiary of the increased purchases by the Soviet Union after Finland and the United States was Germany and then Japan.

CORPORATE SPONSOR SERIES RESUMES

The Russian Research Center will resume its Corporate Sponsor Series on October 3, 1988, at the Harvard Faculty Club. This will mark our thirteenth year of holding such conferences.

We are pleased to announce a new sponsor for the seminar series this year. The John M. Olin Foundation has agreed to help us underwrite the cost. We want to thank the William and Mary Greve Foundation for its support these last few years.

Since the subject of joint ventures was of great interest last year, we thought it would be worthwhile to begin this year's session with joint ventures as well. We will begin with a historical perspective. We want to see how the concept of joint ventures evolved in the Soviet Union and to examine why the Soviets seem to be much more supportive of an idea that only a decade ago they were opposed to. In addition, we hope to compare the operation of joint ventures in China and the Soviet Union. Our speakers include several businessmen who have had experience in both countries. This conference should also enable us to gather more information for the databank on joint ventures that we hope to compile.

FOREIGN EXCHANGE RATES

Currency (per 100)	Rate on June 1
Austrian shilling	4.96
English pound	111.07
West German mark	34.89
Italian lira	.0471
U.S. dollar	59.99
French franc	10.38
Swiss franc	41.75
Japanese yen	.480

RUSSIAN RESEARCH NEWSLETTER c1988

BALANCE OF TRADE - 1st QUARTER OF 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988

(Million Rubles)

	EXPORTS FROM THE USSR								IMPORTS TO THE USSR							
	1981	1982	1983	1984	1985	1986	1987	1988	1981	1982	1983	1984	1985	1986	1987	1988
Austria	189	196	149	167	142	155	87	123	137	119	188	230	166	236	146	179
Belgium	105	280	230	194	178	143	151	181	125	198	152	142	149	156	96	121
Great Britain	148	219	227	307	252	246	303	341	300	169	208	183	166	150	159	175
Greece	99	121	36	84	107	47	41	69	30	37	35	32	27	18	10	19
Denmark	31	94	68	60	61	34	22	27	108	29	19	36	21	42	22	26
Spain	65	30	68	54	47	13	85	139	131	61	84	65	107	61	35	40
Italy	474	589	745	721	388	334	381	371	247	292	392	294	302	293	397	431
Netherlands	189	317	378	371	103	107	123	177	158	142	129	58	68	70	64	74
Norway	20	9	10	29	10	10	8	10	20	17	18	27	15	24	14	19
Germany	477	1001	851	1119	773	862	547	592	722	744	940	800	838	786	712	851
France	485	471	432	572	407	361	311	319	468	348	491	473	509	428	325	277
Switzerland	15	87	139	83	71	89	76	77	181	118	121	90	134	135	168	242
Sweden	30	66	116	129	83	66	78	101	105	101	72	67	79	65	68	69
Japan	201	187	196	195	208	230	207	236	609	801	654	520	570	577	351	432
SUBTOTAL	2528	3667	3645	4058	2830	2697	2420	2763	3391	3176	3503	3017	3151	3041	2567	2955
Sub-Balance of Trade									-863	+491	+142	+1041	-321	-344	-147	-192
U.S.A.	12	23	54	83	75	71	59	75	573	980	526	580	1005	507	103	528
Canada	17	7	4	3	6	3	6	6	137	148	243	86	84	124	110	55
Australia	2	2	1	5	1	3	1	2	252	130	202	137	202	206	108	98
New Zealand	1	2	1	1	--	1	1	1	50	109	88	22	23	36	18	24
Argentina	12	8	7	6	12	26	3	3	349	310	367	323	296	59	80	76
Brazil	2	44	4	42	24	21	16	5	138	148	93	161	57	92	23	28
TOTAL	2574	3753	3716	4225	2948	2822	2506	2855	4890	5001	5022	4326	4818	4065	3009	3764
Balance of Trade									-2316	-1248	-1306	-101	-1870	-1243	-503	-909
Finland	473	459	460	425	392	378	331	325	516	672	781	669	524	443	471	543
Including Finland	3047	4212	4176	4650	3340	3200	2837	3180	5406	5673	5803	4995	5342	4508	3480	4307
Balance of Trade with Finland									-2359	-1461	-1627	-345	-2002	-1308	-643	-1127

RUSSIAN RESEARCH CENTER
of HARVARD UNIVERSITY
and the JOHN M. OLIN FOUNDATION

JOINT VENTURES IN COMPARATIVE PERSPECTIVE:

THE SOVIET UNION AND CHINA

October 3, 1988

Harvard Faculty Club

9:45 a.m. **BACKGROUND**

Debra Spar, Department of Government, Harvard University
"Early Joint Ventures in the USSR"

Jerome Jacobsen, President, Economic Studies and former Vice Chairman, Bendix Corporation
"The Bendix Experience: Lessons for the Future"

Kurt Campbell, Assistant Director, Center for Science and International Affairs, Kennedy School of Government, Harvard University
"The Soviet Experience: The Selling of Gold and Diamonds"

11:15 a.m. **THE LAW ON JOINT VENTURES**

Sarah Carey, Heron, Burchette, Ruckert and Rothwell
"Negotiating a Joint Venture Contract with the Soviet Union"

Jerry Cohen, Paul, Weiss, Rifkin, Wharton & Garrison
"Joint Venture Contracts with the People's Republic of China"

12:30 p.m. Luncheon

1:45 p.m. **JOINT VENTURES IN THE USSR**

Alexander F. Shakai, Institute for Foreign Economic Relations, Foreign Economic Commission of the USSR *

Henry L. Sweat, Vice President, Honeywell, Inc.

William Zohlner, Vice President, Combustion Engineering

Frank Cutitta, Managing Director, International Market Services, IDG Communications (publisher of PC World)

James Giffen, Mercator Corporation, The Consortium

3:30 p.m. **JOINT VENTURES IN THE PRC**

Fan Fang, Office Administrator, Beijing Stone Group (joint venture with Mitsui) *

Jack Dorgan, Vice President, Occidental Petroleum

Donald Sorterup and Ernest De Bellis, General Manager of International Operations and Director of Joint Ventures, Foxboro Corporation

4:30 p.m. **PROSPECTS FOR THE FUTURE**

Marshall I.Goldman, Associate Director, Russian Research Center, Harvard University and Professor of Economics, Wellesley College

4:45 p.m. Adjourn

*subject to final confirmation

RUSSIAN RESEARCH CENTER

OF HARVARD UNIVERSITY
and the JOHN M. OLIN FOUNDATION

JOINT VENTURES IN COMPARATIVE PERSPECTIVE: THE SOVIET UNION AND CHINA

OCTOBER 3, 1988

Harvard Faculty Club
20 Quincy Street
Cambridge, MA 02138

Name: _____

Title or Position: _____

Company or Publication: _____

Mailing Address: _____

City: _____ State: _____ Zip Code: _____

Business Phone ( ) _____ Home Phone ( ) _____

Registration Fee: $200

Registration fee must be paid in advance. All checks should be made payable to The Russian Research Center. Russian Research Center affiliates are invited to attend the conference, but must register in advance.

Hotel Reservations:

Please indicate below if you would like us to make hotel reservations for you. A letter of confirmation will be mailed to you indicating the location and the nightly rate. The Russian Research Center will not guarantee rooms for participants.

Date (s): _____

Single ( ) Double ( )

Return application and registration fee to:

Catherine Reed
Russian Research Center
1737 Cambridge Street
Cambridge, MA 02138

For information:

(617) 495-4038

MARK G. FIELD

Sick Soviet medicine

Socialized medicine, the centerpiece of the Soviet welfare system, has been diagnosed as sick. Medical care in the Soviet Union, freely available to all, is attractive, but the care is poor, according to the Soviet press. The Soviet health service is scheduled for major surgery and an infusion of financial nutrients. The campaign for an overhaul is being led by the health ininister, Dr. Evgeny Chazov.

Soviet propaganda boasts about impressive quantitative achievements – more than 1.3 million physicians, more than 3.3 million hospital beds. According to Chazov, however, an unacceptable number of the physicians are incompetent and cannot perform the simplest medical procedures. Hospital beds are often no more than cots, without sufficient floor space. In the countryside, hospitals frequently lack running water and flush toilets.

The cause of the problems has been attributed to personal deficiencies of health personnel, not to the system itself or its design. This helps deflect anger from the service and the regime. The population is constantly told that a solicitous regime allocates huge amounts of money to health. Not so, says Chazov. The percentage of the national wealth going to health has steadily diminished in the last few years; it now stands at half of what is required for a service to be up to international standards.

A partial list of problems: physicians and nurses extort money and bribes for services for which they are paid by the state; medical equipment is scarce, often unusable because no one knows how to fix it; drugs are in short supply, and medical education is inadequate.

Consequently, there has been a rise in overall mortality and a decrease in life expectancy, particularly among males. The care of mothers and children is a national scandal, as is the recent increase in infant mortality, which is now two-and-a-half times that of the United States.

A resolution by the Communist Party and the government outlines five-year plans to guide the health service into the 21st century. If the past is any indication, it is expected that much of the plans will remain on paper. Why?

1. The major problems that affect the health system are also those of Soviet society. No real improvement in Soviet medicine may be possible unless paralleled by reforms in the larger society.

2. Welfare and health care, as with consumer goods, have taken second place in spite of the rhetoric. Defense and heavy industry get the lion's share of limited resources. This is likely to continue as long as the Soviet leaders feel threatened by outside enemies.

3. Even an increase in money allocated to the health system will not necessarily solve its problems; health authorities are often unable to purchase what they need because it is not available.

4. Health problems cannot be attributed to deficiencies in the health system alone. They are also the product of poor housing, inadequate nutrition, poverty and faulty sanitation.

Only the elite (a microscopic proportion of the population) enjoys "socialized medicine."

But at least Mikhail Gorbachev seems to have acknowledged the importance of the problem. One argument often used to urge the improvement of the health service is utilitarian rather than humanitarian – the huge production losses registered by the economy because of illness.

The principle of socialized medicine embodies an idealistic and progressive vision. Its realization in the Soviet Union, however, has been flawed. It remains to be seen whether the present resolution (and there have been many in the past) will be sufficient to turn the system around and heal it. The prognosis remains guarded.

Mark G. Field is a professor of sociology at Boston University and a fellow at the Russian Research Center at Harvard University.

Boston Globe, Saturday, July 16, 1988

Gorbachev Sought Reform and Didn't Seem to Get It

By MARSHALL I. GOLDMAN

Mikhail S. Gorbachev's party conference will not be soon forgotten. Whatever its concrete effect, there is no doubt that it was a radical departure from past procedures.

Gorbachev managed to open up the political process in an unprecedented way, and he undoubtedly hoped that there would be a parallel reaction in the economy. But with delegates unleashing pent-up complaints about food shortages, pollution, corruption, incompetence and political skulduggery, there must have been times when Gorbachev found himself asking just what he had set in motion. That would explain his desperate plea last Thursday to curb the complaining and political name-calling and to focus instead on plans for reform.

But when his message went unheeded and former Moscow party chief Boris Yeltsin and Politburo member Yegor Ligachev openly sought to destroy each other, Gorbachev evidently concluded that too much of a good thing would do nothing for his economic reforms. That may explain why Gorbachev seemed to end the conference so abruptly.

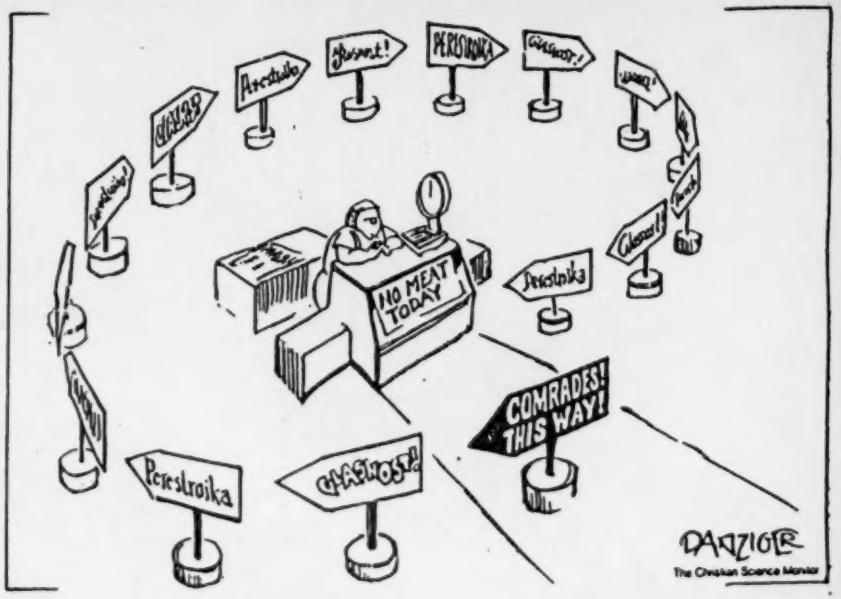
But if one of Gorbachev's goals was to provoke economic change, it is hard to see where he succeeded. He called for an increase in operating autonomy for Soviet peasants, even a form of private farming as well as for more private and cooperative business and manufacturing activity. All this in turn would mean curbing the role of ministries and Gosplan (the state planning commission), as well as a more meaningful price and market system.

But Gorbachev has been calling for such changes for several months. Nothing that happened at the conference would seem to have accelerated the process. Instead, caught up in the dynamic negativism, numerous delegates vented their anger and frustration over the economic inadequacies of the system. As a worker from the Ural Mountains put it at the conference, "The workers ask directly, where is *perestroika*? Nothing has changed in the food shops except for the addition of sugar rationing. Meat is still unavailable, as it has been for a long time, and now non-food consumer goods also disappear periodically."

Such protests certainly did not come as news to the average Soviet citizen who knows firsthand that Gorbachev has been unable to generate economic change. But to hear such shortcomings proclaimed repeatedly by conference delegates seemed to provide confirmation of the overall dimensions of the problem.

Even Gorbachev's economic advisers found themselves swept up in the process. Leonid Abalkin, the director of the Institute of Economics of the Academy of Sciences, complained that the rate of growth of the Soviet national income for the last two years was below what it was during the Brezhnev period.

Gorbachev was clearly hoping that the party conference would stimulate the process of economic transformation. But while he commanded Prime Minister Nikolai I. Ryzhkov to increase food supplies and Politburo member Nikolai P. Slyunkov to do the same for other consumer goods, Gorbachev did not accompany these words with deeds; there was no decree abolishing the collective farm or Gosplan. Instead, there is general acknowledgment that the enterprise law passed by the Soviet government in 1987 that was supposed to free the factories from ministerial control has been sabotaged by the bureaucrats. The Soviet cooperative law that was to encourage non-state production appears to have suffered the same fate.



The fate of these earlier reforms and the lack of any noticeable improvement in the day-to-day standard of living bodes poorly for any new economic initiative that Gorbachev may propose. It would be different if Gorbachev could point to an outpouring of increased consumer goods, as Deng Xiaoping can do in China. But even in China there is seething discontent because of the price increases of the sort that Gorbachev has called for. If the Chinese are upset by their price reforms, however, they have at least seen that their economic reforms can produce more goods. What will be the Soviet reaction when and if Gorbachev allows prices to rise and there still is no sign of a major improvement in consumer well-being?

It may be that because *glasnost* has made it possible for people to complain publicly about the country's economic shortcomings, their sense of frustration is made deeper than it might otherwise be. Yet for the recent visitor to Moscow the extent of the disappointment and the cynicism about the economic reforms are unmatched by anything since the mid-1960s. Gorbachev has bought about vast change in political discourse during his more than three years in power, but he has nothing to show for his efforts in terms of economic improvements. If the situation is anything like Abalkin and the delegates from the Urals suggest, the economic situation may have deteriorated.

A Soviet worker was asked on Soviet television what *perestroika* meant to him. "It means I work harder for less," he said. If Gorbachev is to succeed, he will have to reverse that equation. Unfortunately, nothing happened at the party conference to indicate that such changes will take place soon.

Marshall I. Goldman is a professor of economics at Wellesley College and the associate director of the Russian Research Center at Harvard.

Los Angeles Times, Thursday, July 7, 1988 / Part II

What lies ahead for Gorbachev?

MARSHALL I. GOLDMAN

MOSCOW – What a time it has been here. The city has already seen so much, but that was before perestroika and glasnost. The simultaneous occurrence of such far-reaching external and internal events is almost too much for Muscovites to absorb.

Even Pravda has been having a hard time. After devoting two to four pages a day to the meetings of President Ronald Reagan and General Secretary Mikhail Gorbachev, there is often not much left in the remaining two or three pages for the discussion of the internal restructuring.

But as enthusiastic as Muscovites have been about the Reagan visit, they are more preoccupied with glasnost and perestroika and especially their party conference later this month. When political maneuvering for this conference spilled out in front of the 5,000 foreign journalists, the charges and countercharges combined to create a sense of ferment seldom seen by Muscovites.

All this makes it hard for the foreign visitor to determine what here is real and what is what the Soviets call pokazuka or "pull the wool over the visitors' eyes."

In what appeared to be a washing of the political linen in the Western media, Boris Yeltsin complained bitterly to a BBC reporter about how shabbily he had been treated when he was forced to resign from the Politburo. He blames his ouster on his ideological opponent, Yegor Ligachev, widely regarded as a political conservative, especially when it comes to glasnost and democratization. Yeltsin also had some harsh words for Gorbachev because of what Yeltsin saw as Gorbachev's failure to stand by him. During the Nikita Khrushchev era, Khrushchev would publicly criticize other members of the Politburo but never in the Western media.

Yeltsin's behavior would seem like a natural extension of glasnost. Yet things are not always what they seem to be here. The day after making his comments to the BBC, Yeltsin claimed he was misquoted. Moreover he made this claim not in the Soviet press but on another Western program, ABC's "Good Morning America."

Admittedly Yeltsin did not volunteer his comments: the interviewer pressured him for a yes or no answer. In the Soviet Union that makes a big difference and clearly Yeltsin had come to realize that he should not be washing such private linen in front of the foreign press. But while fascinated with this new openness in political struggle, we are quickly reminded that Moscow is still Moscow when a representative from Soviet television demands the videotape of the full Yeltsin interview from ABC. When ABC refuses, the Soviet visitor reported that Gorbachev himself wanted to see the tape and when Gorbachev wants a full tape, Soviet television gives it to him.

These are not the only signs that glasnost and perestroika are incomplete. Those in favor of restructuring are disappointed that four or five of the most outspoken proponents of the restructuring process may not be delegates to the late June party conference. They were nominated by their local party groups, sometimes as part of a popular overriding of local leaders. It was surprising, therefore, when the district party units vetoed their subordinates and removed the supporters of restructuring. Those who were ousted may yet emerge as a type of "super-delegate," but their removalhas not inspired confidence in the process.

Many groups took advantage of the Western press to stage demonstrations. The plainclothes police, although clearly seething at this breach in their authority, allowed the protest to occur. Yet harsh words were addressed to the protesters. For example, the Jewish groups were warned that if they persisted there would be an old-fashioned Jewish pogrom on June 4. Even more disturbing, some of the Armenian protesters have been jailed, a reversal of the process which saw the release from prison of political protestors.

Weekly Moscow News has commissioned and published articles by the American Sovietoligist Richard Pipes. I wrote one on why Gorbachev's economic revisions are not working. They paid me an honorarium. At the same time, however, there still is self-censorship. For example, Reagan's speech is reported, but the reports omit his mention of Alexander Solzhenitsyn.

Muscovites are more relaxed than ever about meeting with foreigners. We were invited to two apartments for dinner and did not mute our voices in the hallway or in the elevator. Yet when asked if he would appear on an American TV talk show a young Soviet scholar said he would have to receive official permission from his institute before he could accept.

Gorbachev speaks incessantly of the need for perestroika and economic revival. There are now cooperative restaurants and private Soviet businessmen selling such things as their own manufactured jeans, jackets and pants. However, the prices are far beyond the reach of all but a few Muscovites. This causes enormous resentment, just as does the continuous shortage of meat, fruit and vegetables. Asked what he thought of perestroika one man responded, "It means more work and fewer goods."

For Gorbachev the challenge is clear. He has shown he can produce glasnost – it's not perfect but far more impressive than many thought possible. Now his task is to produce the perestroika which so far is suffering badly.

There are those who are skeptical that he can do it. A Muscovite goes into a bar and asks for a pitcher of beer. "That will be a ruble," says the bartender.

"But it was only 50 kopeks a few months ago."

"Ah, but now you have to pay 50 kopeks for glasnost," responds the bartender.

"OK, I like glasnost, here's the ruble." But then the bartender gives him back 50 kopeks change. "What is this?" asked the Muscovite. "You told me that I had to pay 50 kopeks for glasnost."

"Yes," said the bartender, "but we don't have any beer."

Marshall I. Goldman is professor of economics at Wellesley College and associate director of Russian Research Center at Harvard University.

Boston Globe, Sunday, June 5, 1988

U2030-1
8/24/88

ECONOMIC NEWSLETTER

Russian Research Center
Harvard University

Volume XII, No. 12
August 12, 1988

INDUSTRIAL PRODUCTION FIGURES FOR FIRST 6 MONTHS of 1988

Product	Jan-June 1988	Jan-June 1988 as a % of Jan-June 1987
Electricity (billion kw hrs)	860	103%
Petroleum (million tons)	312	101
Natural Gas (billion meters^3)	383	107
Coal (million tons)	393	103
Steel (million tons)	81.7	101
Fertilizer (million tons)	18.7	104
Metal-cutting tools (thousand units)	11.0	104
Robots	*	*
Computer tech. (billion rubles)	3.0	115
Tractors (million hp)	26.4	102
Paper (million tons)	3.2	103
Cement (million tons)	69.5	102
Meat (million tons)	6.2	104
Margarine (thousand tons)	851	104
Watches (million units)	36.6	106
Radios (million units)	4.0	99.5
TV sets (million units)	4.8	113
Automobiles (thousand units)	660	99.96

* not published

LIVESTOCK HERDS

Herd	07/01/77	07/01/88	% Change
Cattle	99.3	97.6	98%
Cows	29.2	28.9	99
Hogs	54.9	58.4	98
Sheep & Goats	142.9	145.0	101
Poultry	787.7	790.7	100

INDUSTRIAL PRODUCTION FIGURES FOR FIRST SIX MONTHS OF 1988

Something seems amiss in the reporting of Soviet statistics. As we indicated in the July newsletter, the Soviets did not report production figures for May 1988. Admittedly they may have released the figures, but not in the usual sources. However, we have checked all the main economic journals and were not able to find anything. If any of our readers are aware of the publication of such material, we would appreciate knowing where you found them.

As we anticipated, however, the Soviets did indeed publish the statistical results for the first six months of the year. They have traditionally provided production figures annually, quarterly, and semiannually even when they were not publishing them on a month by month basis.

Looking at the figures for the first six months of the year, it does not seem likely that the figures were so poor as to warrant the withholding of publication. Nonetheless, there clearly are some very real problems out there for Gorbachev. Many of those problems were reported at the party conference. They now show up to some extent in the statistics which have been officially reported. However, it is not all bad news. For example, produced national income during the first 6 months of 1988 rose 5% against the first six months of 1987, whereas in 1987 that figure was only 2.4% higher than the comparable period in 1986. Similarly, retail sales rose by 6.4% in 1988 over 1987, versus 2.2% in 1987 over 1986. Foreign trade volume rose 5% in 1988 over 1987 versus a drop of 4.3% in 1987 over 1986. (The foreign trade increase may be purely a function of higher energy prices.)

However, the problems are the most intriguing. For example. Whereas housing construction in the first half of

six month period. What is significant about that is that given all the bleak news in the economy, the one thing that Soviet economists could point to with pride to the increase in housing construction. Now that seems to have leveled off. Also noteworthy is the fact that the size of the workforce has dropped by 3%. That is largely a consequence of people being fired.

The Soviets continue to have a quality problem. Eight percent of the goods produced during the first six months were rejected the first time they were submitted to the quality inspectors. That involved 6 billion rubles worth of goods. Ultimately all but 40 million rubles worth of goods were accepted, but it did disrupt the production plan.

In terms of industrial output, the Soviets seem to be having some problem with oil production again. For the entire six months, oil output was up 1%, or 3 million tons of petroleum. Because we lack the figures for May, we are unable to calculate the month by month production for May and June. We do know, however, that as of the end of April, petroleum production was up 4 million tons over 1987. This indicates, therefore, that the increase of petroleum production as of June 30 was not as high as it had been as of April 30. That suggests that in at least one of the months of May or June, petroleum output dropped by at least 1 million tons. That suggests that the rate of increase is diminishing and indeed, the rate of petroleum output may be constant again, as it was apparently in March. The same thing seems to have happened in the steel industry.

One of the most interesting revelations found in this statistical report is how the demonstrations in the Caucasus have effected the Soviet economy. The report notes that there were substantial disruptions in the supply of potatoes, fruit and vegetables. In particular, there was considerable waste. More than 1.5 millon tons of potatoes, vegetables and fruit were declared unfit for human consumption and that represented 1.5 billion rubles in retail prices. That is equivalent to approximately $900 million. In part that explains why the sale of food and citrus was only 63% of what it had been in the 6 month period of 1987. That is a very significant drop. Similarly, potatoe sales were down 8%. Vegetables sales, however, were up 6%, meat sales were up 5%, and sugar sales were up 3%. However, we know that sugar supplies have been severely disrupted. Since the Caucasus are such an important area for the growing of fruit, it seems fairly certain that the strikes that took place both in Armenia and Azerbaidjan had a disruptive effect. Some of that disruption spilled over into Georgia where demonstrations have also been reported and apparently into Turkmenistan.

Finally, it is worth noting that sales of alcohol were approximately the same in the first half of 1988 as they were in the first half of 1987. That suggests that Gorbachev's anti-alcohol drive is losing some of its force. Vodka sales were only 2% less, while beer and brandy sales were up 9-10%.

LIVESTOCK HERDS

The livestock herds continue to deteriorate. Whereas as of July 1, 1987, the herd was down only 1% from July 1, 1986, on July 1, 1988, the cattle herd is down 2%. The cow herd is down 1%, down about 2% lower than it was in 1986. The size of the hog herds also dropped about 2%, about the same as the drop in 1987 over 1986. The sheep and goats increased by 1% and the poultry herd is approximately the same.

Opinions and ideas expressed in the RRC Economic Newsletter are those of the author and not the Russian Research Center or Harvard University unless specifically stated as such.

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USSR Foreign Exchange Quotations

	3 Feb	2 Mar	6 Apr	4 May	1Jun	29 Jun
£100 Sterling	105.44	106.48	111.42	111.21	111.07	106.45
100 Aust. sch.	5.06	5.07	5.06	5.03	4.96	4.83
100 US Dollars	60.12	60.02	58.96	59.46	59.99	62.06
100 Fr. Francs	10.57	10.51	10.51	10.42	10.38	10.09
1,000¥ Japanese	4.66	4.68	4.77	4.76	4.80	4.72
10,000 Italian Lire	4.83	4.83	4.81	4.76	4.71	4.59
100 Swiss Francs	43.69	43.31	43.37	42.52	41.75	41.01
100 D. marks	35.62	35.62	35.64	35.42	34.89	34.00

CORPORATE SPONSOR SEMINAR SERIES: JOINT VENTURE CONFERENCE

Our conference cn joint ventures is scheduled for October 3 and should be particularly interesting. We have added one new speaker. We have just heard that Vladimir Yakovlev will be flying over from Moscow to attend the conference. Mr. Yakovlev is the Chairman of FAKT, a cooperative which serves as a consulting organization for private entrepreneurs and other cooperatives. It is trying to coordinate all cooperative activity inside the Soviet Union. Among its other activities, it is trying to line up cooperatives in the Soviet Union which have something to export or are interested in producing goods for export with interested partners from overseas. Mr. Yakovlev is the son of the editor of Moscow News. He is apparently a very bright and imaginative entrepreneur and we are delighted he will be joining us.

GLASNOST'

The Soviets are now publishing more data about their petroleum and natural gas exports. They have stopped publishing the quantitative figures since 1977. For the last ten years they have been releasing only exports and imports. They are now again releasing more detailed information. As we indicated in an earlier newsletter, total exports of crude oil and oil products were 186 million tons in 1986. We now have the figure of 195.8 million tons for 1987. Natural gas exports were 79 billion cubic meters in 1986. The new figure for 1987 is 84 billion cubic meters. The accompanying table provides more detailed information for some of the hard currency countries. One of the first things to notice is that prior to 1977, the Soviets did not usually differentiate between crude oil exports and refined produce. They only provided an aggregate figure. Now they separate the two categories. The West Germans import the most refined product, followed closely by Italy. Combining both categories, however, the Italians import the most because their crude oil imports from the Soviet Union are almost double those of the West Germans. The Italians import even more than the Finns, although, of course, the Finns pay for their petroleum not in hard currency, but in bartered goods. It is worth noting how Soviet crude oil exports to Spain increased almost ten-fold in 1987 compared to 1986.

The largest purchaser of Soviet natural gas is West Germany, followed by France and then by Italy. Austria is in fourth place.

SOVIET PETROLEUM AND NATURAL GAS EXPORTS TO HARD CURRENCY COUNTRIES AND FINLAND

Country	Petroleum Products (1000 tons) Crude Oil		Refined Product		Natural Gas (million cubic meters)	
	1986	1987	1986	1987	1986	1987
Austria	886	807	99	44	4,049	3,023
Belgium	1579	1682	2490	2422		
Great Britain	2088	2463	2727	3428		
Denmark	370	89	817	988		
France	6103	6584	5074	3851	9,318	8,770
West Germany	3739	4383	7615	6903	15,310	17,334
Ireland	--	--	299	324		
Italy	8097	8203	7575	6901	7,953	8,571
Japan	100	31	819	944		
Netherlands	1780	2224	4533	4887		
Norway	199	343	198	161		
Spain	428	3677	259	1333		
Sweden	640	1897	1767	1384		
Switzerland	553		1155	1987		
United States	70		284	372		
Finland	8477	8312	4094	3651	1,240	1,642

SOVIET OIL IMPORTS: CRUDE OIL

Country	1986	1987
Algeria	3405	1270
Iran	--	216
Iraq	3168	9677
Libya	4604	2580
Saudi Arabia	2883	

RUSSIAN RESEARCH CENTER
of HARVARD UNIVERSITY
and the JOHN M. OLIN FOUNDATION

JOINT VENTURES IN COMPARATIVE PERSPECTIVE:

THE SOVIET UNION AND CHINA

October 3, 1988

Harvard Faculty Club

9:45 a.m. **BACKGROUND**

Debra Spar, Department of Government, Harvard University
"Early Joint Ventures in the USSR"

Jerome Jacobsen, President, Economic Studies and former Vice Chairman, Bendix Corporation
"The Bendix Experience: Lessons for the Future"

Kurt Campbell, Assistant Director, Center for Science and International Affairs, Kennedy School of Government, Harvard University
"The Soviet Experience: The Selling of Gold and Diamonds"

11:30 a.m. **THE LAW ON JOINT VENTURES**

Sarah Carey, Heron, Burchette, Ruckert and Rothwell
"Negotiating a Joint Venture Contract with the Soviet Union"

Jerry Cohen, Paul, Weiss, Rifkin, Wharton & Garrison
"Joint Venture Contracts with the People's Republic of China"

1:00 p.m. Luncheon

2:15 p.m. **JOINT VENTURES IN THE USSR**

Vladimir Yakovlev, Chairman, FAKT (a Moscow consulting firm which advises private entrepreneurs and cooperatives)

Henry L. Sweat, Vice President, Honeywell, Inc.

William Zohlner, Vice President, Combustion Engineering

Frank Cutitta, Managing Director, International Market Sevices, IDG Communications (PC World joint venture)

James Giffen, President, Mercator Corporation

3:45 p.m. **JOINT VENTURES IN THE PRC**

Tan Feng, Office Administrator, Beijing Stone Group (joint venture with Mitsui) *

Jack Dorgan, Vice President, Occidental Petroleum

Donald Sorterup and Ernest De Bellis, General Manager of International Operations and Director of Joint Ventures, Foxboro Corporation

4:30 p.m. **PROSPECTS FOR THE FUTURE**

Marshall I.Goldman, Associate Director, Russian Research Center, Harvard University and Professor of Economics, Wellesley College

4:45 p.m. Adjourn

*subject to final confirmation

RUSSIAN RESEARCH CENTER

OF HARVARD UNIVERSITY
and the JOHN M. OLIN FOUNDATION

JOINT VENTURES IN COMPARATIVE PERSPECTIVE: THE SOVIET UNION AND CHINA

OCTOBER 3, 1988

Harvard Faculty Club
20 Quincy Street
Cambridge, MA 02138

Name: _____

Title or Position: _____

Company or Publication: _____

Mailing Address: _____

City: _____ State: _____ Zip Code: _____

Business Phone ( ) _____ Home Phone ( ) _____

Registration Fee: $200

Registration fee must be paid in advance. All checks should be made payable to The Russian Research Center. Russian Research Center affiliates are invited to attend the conference, but must register in advance.

Hotel Reservations:

Please indicate below if you would like us to make hotel reservations for you. A letter of confirmation will be mailed to you indicating the location and the nightly rate. The Russian Research Center will not guarantee rooms for participants.

Date (s): _____

Single ( ) Double ( )

Return application and registration fee to:

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Going Back to China and the Soviet Union

By Merle Goldman
and Marshall I. Goldman

During a visit to the Soviet Union and China in May and June, we were struck by the widespread disappointment and disillusionment with the two nations' economic reforms.

While the bitterness is similar, the reasons for it are very different.

Merle Goldman is professor of Chinese history at Boston University. Marshall I. Goldman is professor of economics at Wellesley College and associate director of the Russian Research Center at Harvard.

In the Soviet Union, there is dismay that political changes have been accompanied by almost no tangible economic improvements. If anything there has been deterioration, at least in living standards.

By contrast, in China there has been almost too much improvement. The combination of rapid growth and price reform has fueled inflation, which has had a particularly adverse effect on almost all intellectuals and bureaucrats and some factory workers.

With industrial output growing at the astounding rate of 17 percent a year (we visited a county where industrial output was growing at an incredible 40 percent a year) we expected to find the Chinese pleased with the changes of the nine years since the reforms began.

Indeed, villagers and private and cooperative businessmen were doing very well. Even our city friends acknowledged that their homes were now filled with conveniences such as washing machines, refrigerators and television sets that almost none of them had before 1978. But now they find that because of rising prices, as much as 80 to 90 percent of their income must be spent on food.

Because development is so rapid, more bottlenecks are likely to appear, pushing prices up even higher than the current 20 percent inflation rate. Construction cranes are everywhere, in towns as well as cities.

But unlike the Soviet Union, where construction seems to drag on for years, the pace in China is frenetic. What were traditional hutongs, or lanes, only two years ago are likely to have been transformed into streets surrounded by multistory office buildings, hotels and apartments.

Our favorite private department store on Goldfish Lane in Beijing has disappeared, along with the lane itself. In its place are two modernistic 20-story hotels separated by what will be a spacious boulevard. Private and cooperative restaurants, shops, vendors and repairmen have cropped up on virtually every street corner.

Even more spectacular, we went to Zhongguancun Street near Beijing University, the city's version of Boston's Route 128 high-tech development area. There we visited the Stone Electronics Group. Formed a mere four years ago, this collective began with seven partners selling imported computers and has grown into an 800-person enterprise, which among other things now assembles its own electronic typewriter that prints in both Chinese and English characters.

The Stone Group is not only thinking of opening a branch in the United States, but even of a public issue of its stock. This issue might be traded on the Shanghai Stock Exchange, where the stock of six companies and the bonds of many other companies and state and city governments are traded. During our visit we bought a 100-yuan bond of the Shanghai Petrochemical Combine.

The contrast with Moscow could not have been sharper. The lines for food were as long as ever. Because of sabotage, poor storage and bad distribution, the sales of potatoes and vegetables actually fell in 1987 compared to 1986, and the sales of fruit dropped almost 25 percent during the first three months of 1988. As a result of the anti-alcohol campaign, moonshiners have grabbed sugar from the shelves. This has led to sugar rationing in many areas and long lines for sugar and candy. As bad as things were under Leonid I. Brezhnev, at least there was sugar.

While the party conference debate indicates a quickening of the discussion on political reform, there was little to indicate a quickening of the pace of economic reform. The reformers with whom we spoke envy China its growth and bemoan the lack of results in their own country.

They notice in particular the traditional Soviet penchant for emphasizing large-scale industry and agriculture and downplaying small-scale efforts. Yet it is the small-scale enterprises, especially in the countryside, that have been the source of much of China's growth, increasing at 20 to 30 percent a year. In fact they account for one-third of China's industrial output. Moreover, nonagricultural output in the countryside, which used to be negligible, now exceeds agricultural output.

Because the prices at most of the new private and cooperative ventures are high, they are out of reach of all but a few Soviet citizens. In China, the cooperative restaurants we visited were filled with Chinese; in Moscow we saw almost no Soviet customers. As one Russian cab driver complained: "The owners are the new profiteers. I will never be able to afford such prices."

The discontent in the Soviet Union reflects the failure to improve consumer wellbeing and a concern that prices are beginning to increase. Chinese urban residents share a similar concern about inflation, and one Shanghai economist warned us that if inflation gets out of hand there might be another revolution. Yet as disconcerting as Chinese inflation may be, Deng Xiaoping at least can take solace in knowing that the economy has improved radically and that price reform is already under way.

By contrast, not only has there been little improvement in the Soviet standard of living in the last three years, but even without price reform the people are beginning to feel the effects of inflation. Several speakers at the recent party conference, including Mr. Gorbachev himself, acknowledged the urgency of the situation.

If he is to have the support of the people, Mr. Gorbachev must show that perestroika can put more goods on the kitchen table. That is why he emphasized the need to increase the number of family farm-type operations. But as a Soviet peasant explained in The Moscow News, because of "the unpleasant memory of ... collectivization and how many farmstead owners were deported to Siberia," few farmers are taking up Mr. Gorbachev's offer. These peasants' memories, along with those of private businessmen, help explain why there has been so little real restructuring of the Soviet economy.

By all standards, the Chinese have gone further faster in restructuring, but the fact that even they are encountering widespread disillusionment indicates how difficult is the process of economic reform in a society built on the socialist model. □

THE NEW YORK TIMES

9/14/88

ECONOMIC NEWSLETTER

Russian Research Center
Harvard University

Volume XIII, No 1
September 3, 1988

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 7 MONTHS OF 1988

Product	Jan-July 1988	Jan-July 1988 as a % of Jan-July 1987
Electricity (billion kw hrs)	987	103%
Petroleum (million tons)	365	100.7
Natural Gas (billion meters^3)	443	106
Coal (million tons)	455	102
Steel (million tons)	95.3	101
Fertilizer (million tons)	21.8	104
Metal-cutting tools (thousand units)	12.7	103
Robots	*	*
Computer tech. (billion rubles)	3.5	114
Tractors (million hp)	30.3	100.4
Paper (million tons)	3.7	102
Cement (million tons)	81.3	102
Meat (million tons)	6.4	104
Margarine (thousand tons)	891	102
Watches (million units)	42.3	105
Radios (million units)	4.6	98
TV sets (million units)	5.5	109
Automobiles (thousand units)	761	98

* not published

LIVESTOCK HERDS

Herd	1986	1987	1988	%Change 86-87	%Change 87-88
Cattle	98.8	98.	97	99%	99%
Cows	29.3	29.	28.8	99%	99%
Hogs	62.	60.1	59.8	97%	99.5%
Sheep & Goats	139	138.4	140.6	99.5%	101.6%
Poultry	798.1	800.8	809.5	100%	101%

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 7 MONTHS OF 1988

The good news is that the Soviets are publishing monthly statistics again. Readers of our August newsletter will note that we were worried that they would only publish statistical data on a yearly, semi-annually or quarterly basis. Let us hope this continues.

The bad news, however, is that the production results are not particularly encouraging. Of course, Gorbachev is trying to switch the emphasis away from basic industries to more sophisticated consumer goods, particularly food, but in terms of traditional industrial commodities, the results are rather dismal. For example, the production of petroleum, coal, and steel remained the same in July 1988 as it was in July 1987. There was no increase in output. It is true that the figures for the whole seven months show a 1-2% increase in those products, but if the month-by-month trend continues, these percentages should drop by December. Of equal concern is the fact that natural gas output for July 1988 was only 3% higher than it was a year ago. The seven month average shows an increase of 6%, so a drop to only 3% could signal some new difficulties. Electricity production for the whole seven months was approximately the same as the monthly rate. It rose

2.4% in July while for the whole 7 month period it rose 3%. The Soviets report that food output has increased, but they do not present the sales figures for July, so we have no way of knowing how sales in July compare with the year earlier. Nor do the Soviets provide any information about vegetable or fruit production.

They do list some other information about the quality of Soviet products. For example, they acknowledge that they received complaints on the quality of 1.3 million TV sets. That represents 27% of the total output of the first six months of 1988. For color TV sets, which have a tendency to catch fire, 30% of the sets produced were of poor quality.

Livestock herd size, according to figures provided for August 1, 1986 through August 1, 1988, indicate the drop in herd size over the last two years, particularly for cattle, cows and pigs. There is some improvement for sheep and goat herds, and for poul try, but again, the livestock situation is clearly not the best given the official effort underway to increase the availability of meat products for the consumer.

SOVIET OIL EXPORTS TO EASTERN EUROPE

As part of the new glasnost' policy, the Soviets are making available more information about exports. As we noted in the August newsletter, the Soviets now break down their oil exports into crude and refined product, and they are publishing physical quantities as well as ruble sales value. The largest importer of Soviet petroleum is the German Democratic Republic. Almost all of what it import is crude oil. Indeed, the East Germans import almost double what the West Germans import from the USSR, although the West Germans import almost twice as much refined product as crude. The Czechs are the second largest importers, followed by Poland.

The ranking in terms of natural gas is somewhat different. There Czechoslovakia is the largest importer, followed by Poland and the East Germans.

We have also listed Cuban imports to provide some measure of the burden the Soviets are bearing. It is worth noting that Soviet exports of crude and refined oil to Cuba dropped slightly in 1987 by almost 300,000 tons.

Another feature of the Soviet export profile is that with the exception of Rumania, the Soviet oil exports in 1987 were virtually the same as they were in 1986. That holds true for both crude and refined product. In the case of the Rumanians, imports of Soviet oil dropped from approximately 11.5 million tons in 1986 to 8 million tons in 1987, although natural gas purchases from the Soviet Union increased slightly.

SOVIET OIL IMPORTS

Now that the Soviets are making available their export-import volume figures we can also look to see how much petroleum the Soviet Union is importing and from where. While the Soviet Union imports considerable amounts of refined product from Eastern Europe, its main purchases of crude oil came from the members of OPEC. It is noteworthy, by the way, that the amount imported fluctuates significantly from year to year. Thus in 1986, Libya was the largest supplier to the Soviet Union of crude oil, but its exports dropped in 1987. In contrast, while Iraq exported only 3 million tons in 1986, that figure more than doubled in 1987. Similarly, Saudia Arabia exported almost 3 million tons in 1986, but nothing in 1987. Much of this change is due to the political situation in the Persian Gulf. Iran exported nothing in 1986 and a very small amount in 1987.

CORPORATE SPONSOR SEMINARS: JOINT VENTURE CONFERENCE

Our conference on joint ventures in the USSR and China is scheduled for October 3, 1988 and should be particularly interesting. Space is limited to 90 participants, so we recommend that applications be sent in before the 15th of September to guarantee acceptance. A program and application form are included with this newsletter. If you have any questions regarding the conference, contact Ms. Catherine Reed, Program Coordinator, at (617) 495-4038.

Opinions and ideas expressed in the RRC Economic Newsletter are those of the author and not the Russian Research Center or Harvard University unless specifically stated as such. RRC © 1988

SOVIET PETROLEUM AND NATURAL GAS EXPORTS TO THE EASTERN BLOC, CUBA AND NICARAGUA

	Petroleum Products (1000 tons)				Natural Gas (million cubic meters)	
	Crude Oil		Refined Product			
Country	1986	1987	1986	1987	1986	1987
Bulgaria	11,669	11,563	1,437	1,375	5,680	6,071
Czechoslavakia	16,900	16,990	366	368	10,190	10,641
GDR	19,351	19,801	107	153	7,034	7,002
Hungary	7,430	7,470	1,426	1,424	4,694	4,772
Poland	13,740	13,751	2,222	2,300	7,135	7,530
Rumania	6,444	4,691	5,009	3,551	2,510	3,264
Cuba	3,840	3,974	3,200	2,755		
Nicaragua	461	509	165	166		

USSR Foreign Exchange Quotations

Currency	6 July	13 July	20 July	27 July	3 Aug	10 Aug
£100 Sterling	105.13	106.01	105.07	108.17	107.56	106.80
100 Aust. sch.	4.85	4.82	4.77	4.81	4.77	4.73
$100 US	62.28	62.39	63.10	62.06	62.81	63.21
100 Fr. Francs	10.14	10.07	9.96	10.02	9.93	9.87
1,000¥ Japanese	4.62	4.68	4.67	4.73	4.72	4.72
10,000 Italian Lire	4.60	4.58	4.53	4.57	4.54	4.51
100 Swiss Francs	41.05	40.78	40.45	40.66	40.13	39.87
100 Deutsche Marks	34.18	33.89	33.55	33.82	33.41	33.25

RUSSIAN RESEARCH CENTER
of HARVARD UNIVERSITY
and the JOHN M. OLIN FOUNDATION

JOINT VENTURES IN COMPARATIVE PERSPECTIVE:

THE SOVIET UNION AND CHINA

October 3, 1988

Harvard Faculty Club

9:45 a.m. **BACKGROUND**

Debra Spar, Department of Government, Harvard University
"Early Joint Ventures in the USSR"

Jerome Jacobsen, President, Economic Studies and former Vice Chairman, Bendix Corporation
"The Bendix Experience: Lessons for the Future"

Kurt Campbell, Assistant Director, Center for Science and International Affairs, Kennedy School of Government, Harvard University
"The Soviet Experience: The Selling of Gold and Diamonds"

11:30 a.m. **THE LAW ON JOINT VENTURES**

Sarah Carey, Heron, Burchette, Ruckert and Rothwell
"Negotiating a Joint Venture Contract with the Soviet Union"

Jerome Cohen, Paul, Weiss, Rifkin, Wharton & Garrison
"Joint Venture Contracts with the People's Republic of China"

1:00 p.m. Luncheon

2:15 p.m. **JOINT VENTURES IN THE USSR**

Vladimir Yakovlev, Chairman, FAKT (a Moscow consulting firm which advises private entrepreneurs and cooperatives)

Henry L. Sweat, Vice President, Honeywell, Inc.

William Zolner, Vice President, Combustion Engineering

Frank Cutitta, Managing Director, International Market Sevices, IDG Communications (PC World joint venture)

James Giffen, President, Mercator Corporation

3:45 p.m. **JOINT VENTURES IN THE PRC**

Tan Feng, Office Administrator, Beijing Stone Group (joint venture with Mitsui)

Jack Dorgan, Vice President, Occidental Petroleum

Donald Sorterup and Ernest De Bellis, General Manager of International Operations and Director of Joint Ventures Foxboro Corporation

4:30 p.m. **PROSPECTS FOR THE FUTURE**

Marshall I.Goldman, Associate Director, Russian Research Center, Harvard University and Professor of Economics, Wellesley College

4:45 p.m. Adjourn

RUSSIAN RESEARCH CENTER

OF HARVARD UNIVERSITY
and the JOHN M. OLIN FOUNDATION

JOINT VENTURES IN COMPARATIVE PERSPECTIVE: THE SOVIET UNION AND CHINA

OCTOBER 3, 1988

Harvard Faculty Club
20 Quincy Street
Cambridge, MA 02138

Name: _____

Title or Position: _____

Company or Publication: _____

Mailing Address: _____

City: _____ State: _____ Zip Code: _____

Business Phone ( ) _____ Home Phone ( ) _____

Registration Fee: $200

Registration fee must be paid in advance. All checks should be made payable to The Russian Research Center. Russian Research Center affiliates are invited to attend the conference, but must register in advance.

Hotel Reservations:

Please indicate below if you would like us to make hotel reservations for you. A letter of confirmation will be mailed to you indicating the location and the nightly rate. The Russian Research Center will not guarantee rooms for participants.

Date (s): _____

Single ( ) Double ( )

Return application and registration fee to:

Catherine Reed
Russian Research Center
1737 Cambridge Street
Cambridge, MA 02138

For information:

(617) 495-4038

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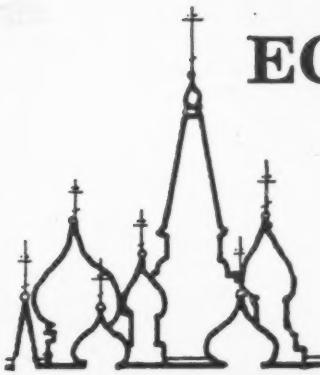

ECONOMIC NEWSLETTER

Russian Research Center
Harvard University

Volume XIII, No. 2
October 22, 1988

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST EIGHT MONTHS OF 1988

Product	Jan-Aug 1988	Jan-Aug 1988 as a % of Jan-Aug 1987
Electricity (billion kw hrs)	1117	103%
Petroleum (million tons)	417	100.5
Natural Gas (billion meters^3)	504	106
Coal (million tons)	518	102
Steel (million tons)	109	101
Fertilizer (million tons)	24.9	103
Metal-cutting tools (thousand units)	14.7	104
Robots	*	*
Computer tech. (billion rubles)	4.1	114
Tractors (million hp)	34.5	100.8
Paper (million tons)	4.2	102
Cement (million tons)	93.1	102
Meat (million tons)	7.4	104
Margarine (thousand tons)	996	103
Watches (million units)	48.9	106
Radios (million units)	5.3	99
TV sets (million units)	6.3	109
Automobiles (thousand units)	863	98

* not published

LIVESTOCK HERDS

Herd	1986	1987	1988	%Change 86-87	%Change 87-88
Cattle	97.9	97.	95.9	99%	98.8%
Cows	29.2	28.9	28.7	99%	99.3%
Hogs	63.1	60.6	60.5	96%	99.8%
Sheep & Goats	132.3	131.7	133.1	99.5%	101.%
Poultry	794.7	807.7	811.2	101.6%	100.4%

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST EIGHT MONTHS OF 1988

The production figures for the first 8 months of 1988 reflect no new trends from those reported last month. For the most part, output continued to increase, although at a modest rate. The Soviets report officially that for the whole 8 months, industrial output rose by 4.3%. They reported an even higher increase in the month of August, a somewhat larger figure than might be expected, based on the sample of individual industries that we have. For example, electricity production rose by only 3% for the month of August. This is about the same increase as in output for the entire period. The increase in gas output was about 5%, but this was offset by the fact that steel production for the month of August was about the same as it was in August of 1987. At the same time, oil output seems to have dropped for the month of August by about 2%, although for the year as a whole, there is an increase in output of about 2 million tons. Meat output shows a 4% increase for the whole 8 month period, although the Soviets themselves report that the output of certain types of meat was lower in the first 8 months of 1988, particularly for such things as sausages and meat cutlets.

We know from official reports that meat sales in

many parts of the Soviet Union are lower this year than last year. This may be a consequence of the fact that the size of the herds, particularly of cattle and hogs, continues to decline. The drop in herd size has continued almost unabated for the last two years. There does appear to be some increase in the number of sheep and goats, and as before, the number of chickens has increased, although one finds relatively few chickens for sale in Soviet shops. The task that Yegor Ligachev, who has just been made responsible for agriculture in the Central Committee, has before him is a daunting one.

SOVIET BALANCE OF TRADE FOR THE FIRST HALF OF 1988

Based on the figures for the first half of the year, it looks like the Soviets have become more active in the foreign trade sector. Exports to hard currency countries rose approximately 600 million rubles. Imports rose even more. Imports from Western Europe and Japan rose approximately 700 million rubles. Because of a very large jump in imports from the United States (probably largely due to grain) total imports from the hard currency bloc rose by over 1.2 billion rubles. This is a significant expansion and has resulted in a sharp increase in the trade deficit. The trade deficit totals over 1.6 billion rubles, a jump of approximately 700 million rubles from 1987. If Finland is included in the calculations, the trade deficit has increased by another 800 million rubles.

The United States is the largest beneficiary of the increase in purchases. Imports from the United States rose by 700 million rubles. West Germany is next with an increase in sales to the Soviet Union of approximately 300 million rubles, and the Japanese follow with an increase of 200 million rubles. Imports from France and Italy dropped, from France by almost 100 million rubles.

Russians working with American businessmen indicate that sales, particularly for long-established firms with offices in the Soviet Union, have been growing rapidly, in some cases doubling last year's volume. It should be remembered, however, that total volume was low to begin with, so that the impact of overall sales is still rather minor. It does certainly reflect an increased interest. This expansion is represented in the 700 million rubleincrease in imports from the U.S. reflected in the new balance of trade figures.

CORPORATE SPONSOR SEMINARS

We are in the process of completing programs for two additional Corporate Sponsor Seminars for the 1988-89 year.

Our next conference will be held on November 28, 1988 and will focus on the implications of a new American administration for Gorbachev and his program of economic restructuring. Panel topics include "Issues Which Divide Soviet Society," "American Arms Control After Reagan," Perestroika: What Remains to be Done?" and "Remaking the Soviet Political System." This will be our annual orientation for journalists who wish to learn more about the Soviet Union. Our program will be expanded beyond the day-long format to include an evening session with journalists returning from assignments in the USSR. This conference is sponsored jointly by the Russian Research Center and the Nieman Foundation of Harvard University and the Joan Shorenstein Barone Center on Press, Politics and Public Policy of the JFK School of Government. A preliminary program and application form are enclosed.

Our third conference of the series will examine the current situation in Soviet agriculture -- the recent reforms introduced, Ligachev's efforts as the Central Committee member responsible for the agriculture portfolio, and the implications of Soviet performance in agriculture for economic and political reform in the Soviet Union. The date will be February 13, 1989 and we hope to have a preliminary program ready for the December issue of the Economic Newsletter.

ARDEN HOUSE 1989

Be sure to note the dates for the 1989 Arden House Conference on American-Soviet Relations: March 31-April 2. A complete program will appear in the January issue of this newsletter.

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